ASSOCIATION JOURNAL OF TH



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When your bank lends money on inventory its security is two-fold. The loan is backed by actual merchandise of the borrower and by receipts issued to your bank by the field warehouse company.

And—when Douglas-Guardian handles all your field warehousing transactions—your bank has the added protection of doing business with an old and experienced company, operating on a nation-wide scale—a company that meets the high standards of service and safety which bankers demand.

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JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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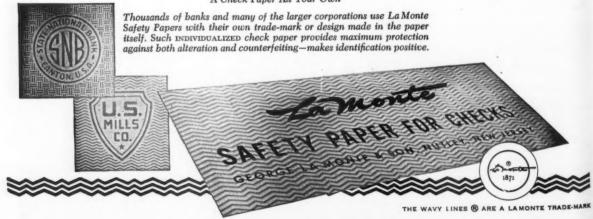


# Gilt-edged protection

Mr. Stevenson is now well protected against financial loss. His new fire insurance policy is underwritten by a leading company . . . it is "gilt-edged."

» » His-checks, too, give him gilt-edged protection — they are written on La Monte Safety Paper, recognized everywhere as the criterion for quality and maximum safety. » » Bankers from coast to coast have found their customers quick to appreciate the value of these fine check papers. Your lithographer can show you samples or we'll gladly send them direct.

# A Check Paper All Your Own





Air view of the Chicago lakefront

# Just a Minute

# Convention Coming!

o the Indians, "cheecaqua" meant strong; it was also their term for wild onion.

To the 17th century French the spot at the southern tip of Lake Michigan was Checagou.

To bankers, in this year 1951, the word is Chicago, and it means the great capital and convention city of the Middle West, scene of the 77th

annual meeting of the American Bankers Association, September 30-October 3.

For this yearly get-together of the A.B.A. membership President JAMES E. SHELTON has prepared a program packed with information on the banking, governmental and business problems of the day. Speakers at the general sessions include the chairman of the Board of Governors of Federal Reserve System. the WILLIAM McCHESNEY MARTIN. JR.: the national commander of the American Legion, ERLE COCKE, JR.; the president of Lockheed Aircraft Corporation, ROBERT E. GROSS; and the new president of Cornell University. Dr. DEANE W. MALOTT. Mr. SHELTON will make the presidential address at the opening general session.

BANKING'S Outlook Issue marks the termination of one busy Association year and the opening of another. In keeping with the occasion we salute the bankers who have contributed time and effort to carrying on the A.B.A.'s work; and we emphasize, in articles, the prospects for the banking year ahead.

### THIS MONTH'S COVER

LaSalle Street, Chicago, looking toward the Board of Trade Building. In these blocks are The Northern Trust Company, Chicago National Bank, Exchange National Bank, City National Bank & Trust Company, Federal Reserve Bank, Continental Illinois National Bank & Trust Company, LaSalle National Bank, and the Chicago office of the Bank of Montreal. The cover is adapted from a drawing made available to BANKING through the courtesy of The Northern Trust Company



Manager

TITLE REGISTERED U. S. PATENT OFFICE

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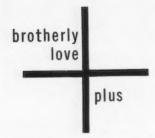
ROBERT M. ROHRBACH Manager

Los Angeles Representative STANLEY IKERD

September 1951

NKING

JOHN J. McCANN



 Philadelphia is something more than the city of Brotherly Love—it is a major American metropolis which is expanding with remarkable speed. A great amount of widely diversified industrial and business activity is a major factor in bringing about the city's growth.

Banking in this great city requires two things: vision and initiative to keep pace with economic development, plus stability and experience to insure the soundness of all transactions.

Central-Penn National Bank is qualified to fulfill all of your banking requirements in Philadelphia.

CENTRAL-PENN NATIONAL BANK of Philadelphia

MEMBER FEDERAL DEPOSIT

### The Convention Section

THE last 40 pages of the magazine are a preview of the Chicago meeting.

Here you'll find a picture gallery of Association officers, division heads, commission council and committee chairman; a group of the Chicago bankers who for several months have been working on convention plans; a story about the city; a scrapbook of Chicago banking history; some notes on the Chicago Clearing House Association.

There are also an advance report on the bank equipment and services which delegates will see in the educational displays at the Stevens Hotel, convention headquarters, and several pages of operating suggestions by WILLIAM H. HURTZMAN, comptroller of the First National Bank of Philadelphia.

And don't miss GRAHAM HUNTER'S full-page cartoon!

The usual departments, we might add, appear in the main section of the issue.

### Bank Credit

Banking asked Carlisle R. Davis, vice-president of the State-Planters Bank and Trust Company of Rich-

mond, "What's ahead for bank credit?"

Mr. Davis' views are in an article with that title (page 34). He considers a number of major factors bearing on the outlook and summarizes as follows:

"While, as always, there are counter forces at work in our economy, it would appear on balance that business activity this fall should continue strong.

"This is based on the assumption that defense spending will be maintained at very high rates and that overall production does not increase greatly. Because of the expected business activity, total bank loans will probably rise and could reach \$68-\$70 billion between now and December 31, 1951.

"While the quantity of our loans will probably increase, the quality of these may decrease. Great care should be exercised in the appraisal and strengthening of our present loans and in the appraisal and servicing of contemplated loans."

Mr. Davis is on the A.B.A. Credit Policy Commission and lectures at The Graduate School of Banking where he was first winner of the Ayres Leadership Award.

(CONTINUED ON PAGE 6)

# New York Hanseatic Corporation

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New Guided Missile Takes Off.... This newest anti-aircraft missile, soaring upward on its supersonic flight, is launched, steered and exploded by electronic control. These powerful missiles blast high-flying enemy aircraft out of the sky. The control devices were developed by the Bell System's research and manufacturing units—the Bell Telephone Laboratories and Western Electric Company—working together in traditionally close relationship. This guided missile assignment for the Army Ordnance Corps is just one of many important military projects now entrusted to the Bell Telephone System.

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# America's Third Largest Market

# the LOS ANGELES area

Unprecedented industrial growth of this area in recent years, together with the large increase in population, creates an unusual opportunity for new or expanding industries.

Here will be found dependable rail transportation, industrial power, a supply of labor, port facilities for foreign trade and, within the immediate area, a constantly growing market for manufactured and processed commodities.

Union Pacific foresaw the potential

opportunities here . . . acquired and developed sites for the industries-to-come. Today these sites accommodate some of the nation's leading companies. Among them are Continental Can Co., Crown Zellerbach Corporation, General Motors Corporation, B. F. Goodrich Co., Pillsbury Flour Mills Co., Quaker Oats Co., Rath Packing Co., Sears, Roebuck and Co., and Willard Storage Battery Co.

A few choice sites are still available in these properties, all with dependable Union Pacific rail service.



OTHER industrial sites served by Union Pacific in southern California are available in Long Beach, Los Angeles Harbor, Paramount, South Gate, Vernon, Pomona, Ontario, Riverside, Anaheim, Fullerton, La Habra, Whittier, Glendale and Pasadena, California.

 System-wide, Union Pacific's industrial plant opportunities include sites in these twelve States: CALIFORNIA, COLORADO, IDAHO, IOWA, KANSAS, MONTANA, NEBRASKA, NEVADA, OREGON, UTAH, WASHINGTON and WYOMING.

For detailed, confidential information please write:

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# UNION PACIFIC RAILROAD

### **Bank Earnings**

THE immediate outlook for bank earnings appears bright because of the substantial increases in loan volume and interests, reports JAMES W. WOOSTER, JR., in an article on page 44.

"Most items of operating expense," he adds, "have been kept under good control, but net profits available for stockholders and rates of dividends have not kept pace with operating profits because of the exceptional rise which has occurred in bank income tax deductions.

"These taxes are bound to be greater during the next year or two, not only because of prospective increases in all corporate tax rates, but because banks will have fewer exemptions as partially tax free Treasury bonds are retired without replacement."

Heavier income taxes pose a double threat to earnings. From the stockholders' viewpoint bank stocks become less attractive as income available for dividends are restricted. which means that capital-raising by sale of shares can be "unduly costly, if not impractical." Also, lower earnings mean "a smaller margin between such earnings and established dividend rates, thereby reducing the increment to capital from undistributed income." The recent sharp rise in risk assets makes the need for adding to capital funds "more and more pressing," Mr. WOOSTER points out, if a conservative relationship is to be maintained between those assets and capital funds.

(CONTINUED ON PAGE 11)

"Some depositors take so long I thought I'd put in parking meters"



Coublic NATIONAL BANK of Dallas

...a Leader in Correspondent Banking

\$40,000,000

\*Largest in the South

NEW REPUBLIC BANK BUILDING . . . NOW UNDER CONSTRUCTION

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Meyer Berger has been a newspaper man for more than 40 of his 50-odd years. He sold papers on the streets of his native New York when he was only 8. Four years later he quit school to work for the old *New York World*. What he lacked in formal education he made up for on the job, learning his profession, as he puts it, "by osmosis."

Yet today, wherever journalism is taught, Mike Berger's stories are held up as classics. Even better, they are read and re-read by hard-boiled newspaper men and womer for the sheer pleasure of it. Time magazine called him "one of the most professional of U. S. reporters." A great city editor, in



Arnold Newman Phot

command of a rival newspaper, called him one of the country's best reporters. A Pulitzer Prize adds to the testimony.

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Times,

Mike Berger knows New York intimately as few have ever known it. He knows the voice of the city, now sobbing, now laughing, as O. Henry knew it. He knows its characters — priests and pugs, the law and the lawless—as Damon Runyon knew them. Even Dutch Schultz spoke softly and with respect when Mike Berger of The Times was around.

Since 1928, Mike Berger has been pooling his skills and talents with those of the dozens of other enterprising and resourceful reporters and editors

who each day make The New York Times one of the country's most interesting and unusual newspapers. Readers delight in it. Advertisers love it.

\*That's because advertisers know that when readers get more out of a newspaper, they get more out of it, too. And that's why advertisers have made The Times their leading medium in New York for 32 consecutive years. May we tell you more?

# The New York Times

"ALL THE NEWS THAT'S FIT TO PRINT"

1851 HUNDREDTH ANNIVERSARY 1951



# How you can get dependable Credit Information

You, of course, know the importance of getting accurate, dependable credit information — credit information which can be acted upon with confidence.

That is the kind of credit information you receive when you send us your credit inquiries.

Credit information from Bankers Trust is based on personal interviews with suppliers, customers, competitors, banks, trade associations and regular credit agencies. Our credit investigators and analysts are well-trained, competent, and experienced. In addition, every credit inquiry receives the personal attention of an experienced credit officer. He supervises the investigation and evaluates the facts obtained in the light of current trade and business conditions. This "officer management" offers you a decided advantage.

This is just one of the many services Bankers Trust offers its correspondents and customers. If you require an efficient New York banking connection you are invited to write us at 16 Wall Street, New York 15, N. Y.

# BANKERS TRUST COMPANY

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



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(CONTINUED FROM PAGE 6)

"The deterioration by more than one-third in this ratio during the past decade should provide ample evidence that the establishment of an adequate earning power for the banking system, after all expenses including taxes, is a matter of practical significance in maintaining our nation's financial health."

# Mrs. Hodan's \$65

In the envelope, postmarked Birmingham, Alabama, and addressed to President Mervin B. France of The Society for Savings, Cleveland, was \$65 and this unsigned note:

"Some tim ago a woman picked up a pocketbook with 60 dollars in it belong to James and Rosie Howdan who has an account at your bank. Would like to return to them or thier heirs. Thier names were James and Rosie Howdan. The name might be spelled Rodan."

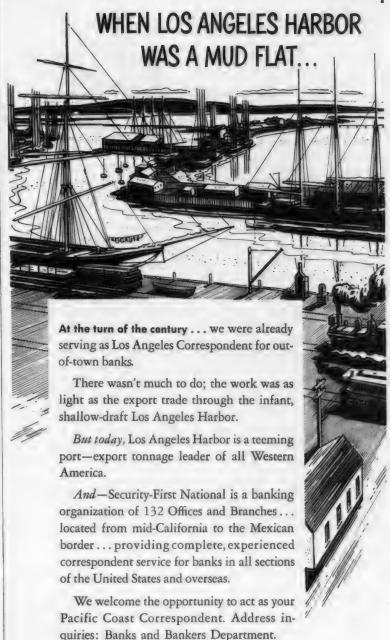
Mr. France could find no account at the bank under that name. Eventually, however, he did find a Mrs. Rose Hodan living in the Bohemian section of Cleveland.

It seems that 16 years ago Mrs. Hodan, now 76 years old, left her purse containing \$60 in the washroom of a downtown department store. The money belonged to the labor union of which her husband was a member, and she was on her way to deposit it.

Every day since she lost the purse Mrs. Hodan had prayed for the restoration of the money—and the

Mervin B. France, president of the Society for Savings, Cleveland, shows Mr. Rose Hodan the letter he received from Birmingham, with \$65 enclosed





RESOURCES OVER 11/2 BILLION DOLLARS

### MANAGING COMMITTEE

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# SECURITY-FIRST NATIONAL BANK

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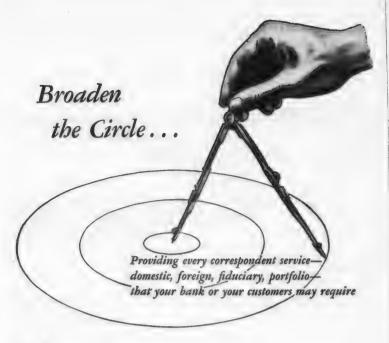
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In addition to domestic, foreign, fiduciary, portfolio, and other services, Guaranty Trust Company acts as registrar and transfer agent for corporate securities, as trustee of bond issues and pension trusts, and in other related capacities.

Please feel welcome to make full use of our extensive facilities and to request any further information you may desire.

# Guaranty Trust Company of New York

Capital Funds \$377,000,000

140 Broadway, New York 15

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London

Madison Ave. at 60th St. New York 21 Rockefeller Plaza at 50th St. New York 20

Brussels

Paris

Member Federal Deposit Insurance Corporation

other day as she sat in Mr. FRANCE'S office he handed her \$65 in cash.

It was sorely needed. Since the death of her husband seven years ago Mrs. Hodan has lived alone in her four-room home, supporting herself by her own handiwork—knitting, making feather quilts and lace. Three month ago she broke her arm and was unable to work.

The Society's staff people who had the opportunity to meet her agreed that the good fortune couldn't have happened to a nicer person. Mr. FRANCE summed it up this way:

"Something fine and good about her was brushed off on to all of us."

### A New Word for "Capitalism"

Herb Woodard, executive vicepresident of the Columbia Heights (Minnesota State Bank, is the man who writes his bank's little ads on "Communism" and "Why I Am Proud of America," which have attracted so much attention. (The latter series won a citation in Banking's 1951 Forum in Print.)

Recently a national magazine called for a new name for capitalism.

Mr. Woodward obliged in the following ad:

"All systems must have capital.

"The difference between ours and Communism is that we have privately owned capital which competes and theirs is government owned capital which has a monopoly.

"Let's quit calling ours capitalism. The difference is that we believe in private ownership of capital and Communists believe in government ownership. We want competition. They want monopoly.

"This month's Reader's Digest says: 'Wanted—a new name for Capitalism.'

"Here it is—the correct name—
'Competition.'"

JOHN L. COOLEY

In times like these only the ignorant are happy.

A sense of humor is of no value when you are explaining to your wife why you were late.

There is a great difference between wanting a job and wanting work.



Hitching posts, lining a typical, early-1900 street, are a fair indication of public confidence in the early motor car. A horse was more reliable!

What a long way the automotive industry and its partner, the oil industry have come in the past 50 years.

In their comparatively short history, they have risen to rank among the foremost of American industrial giants.

The Gulf Oil Companies are frankly proud of their contributions to both.



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# **QUESTION:** Is Government

# It's Your Taxes the Government Is Lending

### JOSEPH M. DODGE

President, The Detroit Bank, and former president, American Bankers Association

THE proposed United States Government budget for the fiscal year 1952—that is, the year beginning July 1, 1951—earmarked \$1,800,000,000 of tax revenues for loans to be made by the Government.

With this large amount derived from the taxes you are obliged to pay, the Government intends to make loans in amounts on terms, and to borrowers which private lenders might not approve as a matter of good business judgment.

When would-be borrowers are reasonably sound risks, loans are made by agreement with private lenders—that is, banks, insurance companies, finance or loan companies, individuals, or many of the other usual sources of credit. The loans are made by those in the business of lending, provided they can be convinced the loans will be repaid according to their terms.

Government lending is conducted on a different basis. It is a business of making loans to people who may not be able to get credit from private lenders. The Government takes certain risks with taxpayers' money that people will not take who are in the business of lending their own funds or the funds of other people entrusted to them.

It is true there may be a direct benefit to the borrower who obtains funds from a Government loan he otherwise might have to do without. But no one seems to realize that the borrower gets the loan from the money of other people, obtained by taxes. There is little concern for the many who are deprived of the money they have earned so the loan can be made. Undoubtedly, the taxpayer himself has as many necessary and

productive uses for the money as the borrower who is not able to obtain his loan from any normal source of credit.

Any way you figure it, the Government can not give financial assistance to anyone unless the money is first obtained from other people.

The people who pay the taxes out of which Government loans are made give up their own assets for the benefit of another. Their own credit positions or possibilities are reduced for redistribution to someone else. They are being deprived of capital and the choice of its use. Capital is taken from one place and put in another.

In the process, the money is loaned according to different standards from those of the private lenders. The borrowers, generally, have fewer assets, produce more losses, and waste more resources.

Private lenders have to be cautious. If they take serious losses, they soon run out of money to lend and are out of business. Government lenders do not have this problem.

Joseph M. Dodge



They do not have to meet the more severe tests of survival. As long as they are lending tax money, the requirement is for some vindication for the loans they make. Neither their jobs nor their sources of funds are much endangered by what they do or the financial results of the loans made.

One of the most important parts of the work of the Government lending agencies is in requesting additional tax money to use for making more loans. The primary consideration always is for the borrowers who obtain the use of the funds. The propaganda always features his interest and benefits, exclusively. The many more persons who have to give up part of their earnings to make these loans possible do not make themselves heard either about the amount or how the money is loaned: but the lending agencies and their borrowing clients are extremely vocal in pressing their claims on the use of your funds.

The scope of this Government lending activity can be seen from a study of Government lending which has been made by the Bureau of the Budget.

This report shows that during the recent period of inflation the total credits extended by all the Government agencies having the authority to carry on a lending business increased \$9.5-billion and on June 30 will show a total of \$44.4-billion, an increase of 27 percent. Further, it shows that an increase of \$4.5-billion more is expected during the 1952 fiscal year. Taking into consideration uncommitted funds and the additional credit authorities seek, wholly owned Government enterprises had an estimated total lending authority of \$58.6-billion on June 30 this year, and will have \$61.5billion on June 30, 1952. Comparing this with the extension of credit by private enterprises the 15,000 banks in the country on December 27, 1950, had total loans of \$61-billion.

# Lending Necessary?

# How to Judge Government Lending

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Senator from South Carolina and chairman of the Senate Banking and Currency Committee

SPEAK of the \$61.5-billion total lending authority of the Federal Government and the \$61-billion of total bank loans (\$64-billion on June 27, 1951), and a lot of responsible citizens become concerned.

Disregarding the fact that behind the whole private banking system stands the Federal Government—its gold reserves, its authority and the authority it delegates to Federal Reserve banks to issue currency, its bonds, the Federal Reserve System, the FDIC, the fact that the banks can create \$5 of credit for every new dollar in deposits, let's examine what this \$61.5-billion Federal lending authority is, and then judge whether the taxpayer is better or worse off because of its existence.

The sum of \$12.6-billion is uncommitted-e.g., standby borrowing authority for FDIC, the FSLIC, the Federal Home Loan banks, the uncommitted mortgage purchase authority of FNMA, etc. Almost \$30billion of the \$48.8-billion remaining is for guarantees and insurance programs a major portion being for FHA insured mortgages and VA guaranteed home loans. Another \$10.7-billion is for international and foreign loans and commitments, \$3.5billion of it being the Export-Import Bank's total lending authority. And \$3.5-billion is for agricultural programs - mainly REA - and the Farmers Home Administration. The DPA lending program and RFC account for \$2.7-billion.

A proposed \$5.5-billion increase is intended to provide \$3-billion (cut by House and Senate to \$1.5-billion) for the mortgage insurance program,

\$1-billion for the international lending programs of the Export-Import Bank, and \$1.5-billion for the loan and guarantee commitments under the Defense Production Act.

Almost all these Government lending programs, aside from international and agricultural programs, and some direct loans under the Defense Production Act and R.F.C., serve to encourage, support, guarantee, and insure the private lending institutions.

Would anyone contend today that the REA program should not have been undertaken; that electricity for the farmer should have been delayed until private lenders determined that REA type loans were sound? Who would dare argue that the amount of residential construction undertaken in the last years would be anywhere near the amount it was without the FHA-insured and VAguaranteed loans. And where is the banker today who would describe these loans as shaky. (On March 31, 1950, less than .06 of 1 percent of all REA loans were overdue 30 days.

Senator Burnet R. Maybank



and \$21.8-million of repayments were made in advance.)

The banks which in 1932 and 1933 were the chief beneficiaries of the RFC would today do away with it. Insulated against emergencies as the banks are by the FDIC, which they also opposed, they can see no possible emergencies where an RFC is needed, as in the current flood disaster in Kansas and Missouri. Nor do they see the efficiency of maintaining a Federal agency with banking know-how to carry out the defense type loans and war activity programs like the Rubber Reserve Corporation. The banks themselves in a survey made among them by the Buck RFC Investigating Subcommittee admit that there are many gaps in the private credit structure-unavailability of longterm loans, nonexistence of banks in many geographical areas, loans too large for a bank's loan limitation and others. They conveniently forget the direct and deferred participation loans which simply serve to guarantee loans they made and profit from. Even those now opposed to the continuation of the RFC agree that its existence in the past was justified.

When you judge the loan program of the Government on the basis of the repayment record, its program is admittedly sound. When you judge it on the basis of promoting the fuller and more efficient utilization of our resources and the increase in national productivity, and contrast it with what it would have been had we completely relied on private lenders to do the job, the private credit extension, insurance, and guarantee program of the Government can be seen as the key to the maintenance of our free competitive enterprise system-to our very survival as a free nation.

# BURIED TREASURE Canadian Style



TITANIUM • URANIUM NATURAL GAS

Recent discoveries of natural resources have skyrocketed Canada's proven reserves of high-grade iron ore to over 400 million tons . . . of oil to over 1.2 billion barrels . . . of natural gas to 2.8 trillion cubic feet.

The fabulous success of this "treasurehunt" is just one phase of a dynamic, new Canada that may interest your expansion-minded customers.

Market-wise, the latest figures rank Canada as the world's largest importer of manufactured goods and a \$2-billion customer of the U.S. annually.

You can provide your clients... whether they manufacture, process, mine or merchandise . . . with specific facts on Canadian opportunity by calling on the Bank of Montreal. The B of M has cooperated with U.S. bankers in the development of U.S.-Canadian trade since its first office below the border was established in 1859.

Your inquiry will receive prompt attention from any of our U.S. offices or from our Business Development Department in Montreal.



New York - - - - 64 Wall St. Chicage - - 27 S. Le Selle St. San Francisco-333 California St.

# BANK OF MONTREAL

Canada's First Bank Coast-to-Coast
Head Office-Montreal

550 Branches Across Canada
RESOURCES EXCEED \$2 BILLION



THE telephone jingled raucously.
"This is Mrs. Ollie Otis," said
a worried voice. "I need some help
and I feel sure you can give it to
me."

"Gladly, if I can," replied the cashier.

"Well, it's this way. We have just sold our house and, in order to figure out the taxes and so forth, we need to know exactly what we paid for it. Will you look it up for me and let me know the amount of the check?"

"Of course—we'll be glad to," was the reply. "What was the date of the check?"

"Well, that I don't know, exactly, but it was sometime in the early part of 1924—I remember we moved on St. Patrick's Day."

"I'm sorry, but I'm afraid we don't have records of checks as far back as that," said the cashier.



"Perhaps you have your old cancelled checks and could look it up that way."

"Don't be silly!" said the voice, rather crossly, "Of course I don't keep old checks for 27 years—but I should think banks would have to, to protect their customers. Isn't there a law about such things?"

Bank officers have always been recognized for their interest and work in civic and humanitarian projects, but here is what we think is a brand new enterprise for which our bank's cashier serves as treasurer. This organization, called "Fight Cancer, Inc.," is limited to a life of one year from the date of the 1951 Watermelon Festival, an

annual event in Leesburg each June At the 1952 Festival the funds contributed will be turned over to the Damon Runyon Cancer Fund. The unusual feature is a huge barrel in which contributions are placed, as they are received, not to be counted until the day of the next Water. melon Festival. There are no salaries and no office expenses-every cent goes to the fund. Every contributor is entitled to make a guess as to the total amount which will be in the barrel at the end of the year. and the best guesser will receive a prize to be donated by Walter Win-



Not only money, but curios, such as rare coins, postage stamps and other items which may be sold to the highest bidder, are acceptable for this barrel. From a 12-year-old boy has come a \$2.50 Mexican gold piece, the prize coin in his collection. with the message, "I don't like cancer, because it just took away one of my best uncles and I know it takes away lots of other people who are somebody's favorite. I have been collecting coins for a long time and this is the only one of much value. Please put it in the Cancer Earrel. I hope you get six barrels of money!"

Among other collectors' items is a cancelled check signed by General U. S. Grant, from an old gentleman who prefers to be anonymous. He is living on a small pension, he said, but wanted to give something toward "Fight Cancer" and hoped that some collector would purchase this check for a substantial sum which could be his contribution.

The barrel has already appeared in parades at various conventions and festivals over the state, receiving contributions, and during the winter it will be featured in many other cities. The project has been approved by the Damon Runyon Cancer Fund, the Florida Bankers Association and other state organizations.

The idea is not patented.

BELLE S. HAMILTON

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but he works for you...



our man at the IRVING

Here's your man . . . and the district he serves:

WILLIAM F. DOYLE, Vice President C. ALBERT ROLLENHAGEN. Asst. Vice President NORTHEAST: EDWIN M. SMITH, Asst. Vice President

DAVID K. DARCY, JR., Representative ROBERT H. McCloughan, Representative

SIDNEY W. COE, Vice President DOUGLAS E. McNAMARA, Vice President CENTRAL JOHN J. McSorley, Asst. Vice President STATES: JOHN W. CREIGHTON, Representative CHARLES W. HAGGERTY, Representative

WILLIAM FEICK, Vice President WEST. H. MILLER LAWDER, Asst. Vice President

JOSEPH S. Moss, JR., Vice President SOUTHEAST: GEORGE W. DIETZ, Asst. Vice President

MAURICE C. THOMPSON, Vice President SOUTHWEST. FREDERICK W. BAKER, Asst. Vice President knows your needs, sees from your point of view. At his command are world-wide resources and services to build additional income and good will for you. Consider the Irving representatives who cover your territory as members of your own staff, always ready to assist-whether in the smallest details or in projects of major importance.

# IRVING TRUST

ONE WALL STREET

Capital Funds over \$118,000,000 Total Resources over \$1,200,000,000

WILLIAM N. ENSTROM, Chairman of the Board RICHARD H. WEST, President

**Domestic Banking Division** NOLAN HARRIGAN, Senior Vice President in charge

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



### Wins National Award

THE UNITED STATES NATIONAL BANK of Portland, Oregon, has been given the national award of the American Association for State and Local History made annually to the business organization doing the most to promote interest in its regional history.

The Oregon Historical Caravan, which is being sponsored as a public service by the UNITED STATES NATIONAL during its 60th anniversary, was considered by the association as the outstanding historical project of the year. Nominations were made by historical groups in all sections of the United States and Canada.

The bank says the caravan will visit every section of Oregon during the year.

The First National Trust & Savings Bank of San Diego has named as trust officer and vice-president

B. WILLIAM JEFFERY and CLAUDE C. BLAKEMORE. Eight new vice-presidents were elected: JAMES L. BUCK, ARTHUR F. BUTLER, JOHN GUNSALLUS, VON M. MARSHALL, EUGENE H. PRATT, ARTHUR P. PROVOST, GEORGE W. SEARS, and WALTER C. STITT.

# American Bank Reporter Purchased by McFaddens

Banker Publishing Company, Atlanta, Georgia, which publishes The Southern Banker, has purchased the American Bank Reporter, executives' bank directory since 1836.

Established as "Thompson's Bank Note Reporter" in 1836, the name was changed in 1884 to American Bank Reporter when it was purchased by Charles D. Steurer and Anthony Stumpf. Since 1884 it has been under the continuous management of Charles D. Steurer and his





C. J. Bertheau Wanda Reed

sons Charles D. Steurer, Jr., and Ralph Steurer.

The new publishers, HAYNES McFADDEN and BRADFORD McFADDEN, plan to improve on the contents of the *Reporter* to make it "the most accurate of its kind."

Banker Publishing Company also publishes the Southern Bankers Directory which has been popular for many years in the 13 states it covers.

CESAR J. BERTHEAU has been made president of Peoples Trust Company of Bergen County, Hackensack, New Jersey, succeeding the late CHARLES E. BLACKFORD, JR.

DUNLAP C. CLARK, president of Central Bank, Oakland, California, has been elected to a 6-year term on the 5-man board of commissioners of the Port of Oakland. COLONEL CLARK is a former member of the Executive Council of the American Bankers Association.

Mrs. Wanda Reed, of The Farmers & Merchants National Bank of Los Angeles, has been made chairman of the Women's Committee, Los Angeles Chapter, American Institute of Banking.

Dr. George H. Ellis, formerly of the University of Maine, has joined the Federal Reserve Bank of Boston as industrial economist in the bank's Research Department. Dr. Ellis is a specialist in the field of industrial

(CONTINUED ON PAGE 20)

Directors of the Bank of Achievers of San Francisco, high school students who set up and operated a bank during 1950-51 under sponsorship of Bank of America, were honored by the San Francisco Stock Exchange for presenting the best financial report of any of the 44 Junior Achievement companies in the city. Standing, left to right, are B. of A. advisers G. L. Bates, R. A. Gock, and R. F. Fisher. The student-bankers are, left to right: Rose Muneno, Betty Nelson, and Kathleen Houlder, directors; Philip Bray, vice-president and operations officer; Robert Rodgers, president; Eleanor Chin, secretary; James Gould, vice-president





Naturally we were gratified when our good friends in Elyria, Ohio, published this advertisement in a local newspaper. Copies have been circulated throughout our bank, as such a compliment rightfully belongs to the many hundreds of Chase men and women who furnished the background of constant service that inspired it.

# THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

Credit information
Around-the-clock mail
pick-up
Quick collection of items
Participation in
local loans with
correspondent banks
Dealers in State and
Municipal Bonds
Execution of security
orders
Analyses of investment
portfolios
Safekeeping of securities
Full foreign services
Many personal services

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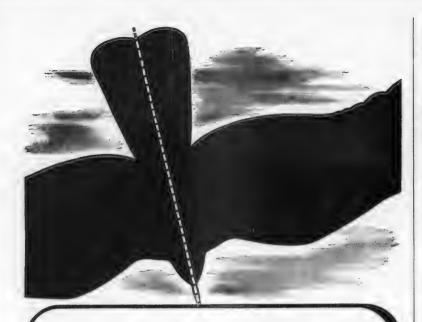
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# STRAIGHT AS THE CROW FLIES to TULELAKE or CALEXICO\*

Through its California-wide service (yours through one account in Los Angeles or San Francisco) Bank of America gives you direct routing to cities and towns throughout the state. This personalized service preserves the "human touch" in your correspondent relationships as well as providing speed and efficiency in the handling of California transactions.

\*The Northernmost and Southernmost California communities served by Bank of America branches. Over 300 other California communities have one or more Bank of America branches.

# Bank of America

NATIONAL TRUST AND ASSOCIATION



Bank of America Travelers Cheques are known the world over. Sell them to your customers.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



(CONTINUED FROM PAGE 18) location and wrote his doctor's thesis on the subject of "Postwar Industrial Location in New England."

EDWARD F. SOUKUP, trust officer of Continental Illinois National Bank and Trust Company of Chicago, has retired after more than 33 years with the bank.

The First National Bank of Red Wing, Minnesota, announces election of RAYMOND P. HAYES as president. He has been vice-president and manager of the Gregory (South Dakota) branch of Northwest Security National Bank of Sioux Falls.

M. A. Fuller is new board chairman of First National Bank of Fort Worth. J. Lee Johnson, Jr., a director since 1938, becomes president.

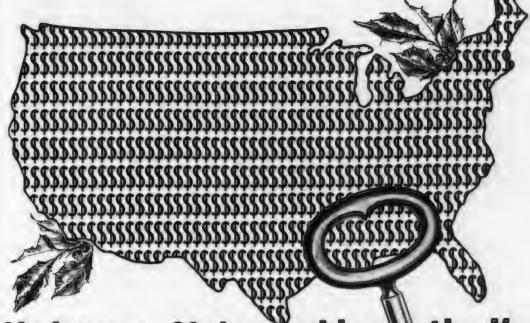
In expanding its trust services, the McAllen (Texas) State Bank has named as trust officer Executive Vice-President H. L. SARGENT. Cashier JERRY KING was made assistant.

E. DUTTON STOY has been elected vice-president of the First National Bank of Alexandria, Virginia, to (CONTINUED ON PAGE 22)

President Loring L. Gelbach of Central National Bank of Cleveland watches young depositors going through the turnstiles to see a game between the Indians and Tigers as guests of the bank. The youngsters qualified for free admission by making deposits totaling at least \$10 in the bank's Baseball Savings Club. The club was designed "to guide the interest of youth in our national sport so that they may link their enthusiasm as fans with the principles of thrift"



# EVERYONE WANTS MONEY!



Christmas Club provide

the Key

Christmas Club, A Corporation, originators of the Christmas Club Plan supplies the key that opens the doors of opportunity—more money for the people; more business for the bank.

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The individual's attitude toward money determines whether it is a constant problem or the means of economic freedom and financial success.

Christmas Club teaches people to save money the easy way and this leads to financial independence and future security.

The mechanics of thrift—loan programs and savings programs—trust services and estate management—money handling and forwarding—are the bank's business. From them it derives its income. Its success in selling them to the public determines

its profit and its future growth. The public's use of these services creates new wealth and individual opportunity.

Christmas Club brings people and banks together. To the bank it brings new customers for every service—to the people it brings a knowledge of how to use the services their bank provides.

Christmas Club, A Corporation, can help you operate and promote your Christmas Club in such a way that it will create prospects for every service you offer the public. Why not let us have the nearest Christmas Club staff member discuss the matter at your desk, at your convenience? He has every system for efficient operation and a wide variety of advertising material to build an efficient program to meet your local needs.



Christmas Club members come from all walks of life



Housewives
Executives
Teachers
Salesmen
Doctors

Lawyers

Insurance men Realty men Carpenters Hurses Students Grocers Manufacturers
Office workers
Factory workers
Policemen
Firemen
Clergymen

# Thristmas Thub A Torporation

FOUNDED BY HERBERT F. RAWLL

230 PARK AVENUE, NEW YORK 17, N.Y.

BUILDS SAVINGS . BUILDS CHARACTER . BUILDS BUSINESS FOR BANKS

# To get the true financial picture

 Original cost is past tense — Replacement cost is present tense.
 Property records established and maintained by American Appraisal Service provide control on both bases.

# The AMERICAN APPRAISAL



Company

Over Fifty Years of Service
OFFICES IN PRINCIPAL CITIES



THE NEW WAY



THE OLD WAY



FREE SAMPLES WRITE DEPT. N Actual stop watch checks show the sealing speed... 3½ seconds against 7 seconds... with the new STYX-DRY Bill Strap, Seals by pressure, no moistening, no mess. Retains adhesiveness for years. In Colors for different denominations. Made of choice brown Kraft.

C.L.DOWNEY

Company

HANNIBAL, MISSOURI

(CONTINUED FROM PAGE 20) fill the vacancy caused by the death of ARTHUR K. WARFIELD. Other promotions include: C. FRED SCHREINER, vice-president and trust officer; HERBERT W. O'MEARA, vice-president; ARTHUR M. RECTOR, cashier; CHARLES F. FENIMORE, assistant cashier.

### Anniversaries

Hugo A. Anderson, vice-president of The First National Bank of Chicago, celebrated his 50th anniversary with the bank.

45 years: OSCAR H. HOLQUIST, cashier, First National Bank of Omaha, Nebraska.

40 years: Holman D. Pettibone, president, Chicago Title and Trust Company; Victor H. Rossetti, president, The Farmers & Merchants National Bank of Los Angeles; Claude H. Morrison, vice-president and cashier, The First National Trust and Savings Bank of San Diego; and, with the same bank, Walter C. Stitt, vice-president and manager of the Coronado Branch.

The staff and trustees of Roosevelt Savings Bank, Brooklyn, held "Adam Schneider Day" to honor Mr. Schneider's 10th anniversary as president.

FRED J. TURNER, director of the Fulton National Bank of Atlanta, is new president of Southern Bell Telephone & Telegraph Co., the south's largest corporation.

WILLIAM GOLDFINE has resigned as vice-president of Manufacturers Trust Company to become execu-







Wm. Goldfine

tive vice-president and director of Royal Industrial Bank, New York.

URBAIN C. LEGOST, in charge of public relations and advertising at the Dollar Savings Bank, New York, has been elected a vice-president.

# Dunn Joins Alaska Bank

WILLIAM T. DUNN, formerly director of staff training for the Bank of America branch system in California, is joining the B. M. Behrends Bank, Juneau, Alaska, as a vice-president.

Mr. DUNN holds all certificates of the American Institute of Banking and has been active in its affairs as student, chapter president, instructor, and national officer. He is a graduate (class valedictorian) of The Graduate School of Banking and author of Practical Public Relations in Banking.

LESLIE L. SINCLAIR, superintendent of Bank of Montreal branches in Alberta, has been appointed to succeed the retiring ANGUS MACPHERSON as superintendent of branches in Manitoba and Saskatchewan. Mr. SINCLAIR'S suc-

(CONTINUED ON PAGE 24)

The Concy Island Office of Manufacturers Trust Company has a new "Baby Carriage Window." The building hadu't originally been planned to accommodate it, but breaking through the wall proved feasible

Dench Yazzi, Navajo Indian, likes the new "Wampum Window" of the Bank of Flagstaff, Arizona. Since his team and wagon require two metered parking spaces, he really appreciates this new service





# "we get action at Philadelphia National ...you will too!"



"Our bank isn't a big one
... but those fellows at
Philadelphia National understand
that good banking service
is as important to the smaller
communities as it is to
the larger cities. The way
they cooperate with us proves it."

# THE PHILADELPHIA NATIONAL BANK

PHILADELPHIA 1, PA.

Established 1803

Member Federal Deposit Insurance Corporation

The Number One Bank in Philadelphia in more ways than one!

September 1951

of

of at

of

# A big bank SERVING A GROWING COUNTRY



St. James Street, Montreal, with the 20-story Royal Bank Building in the background.

Established in 1869, the Royal Bank of Canada has grown to be one of the great banking houses of the world. It has over 750 branches located coast-to-coast in Canada, in the West Indies, in Central and South America, in New York, London and Paris. Total assets are well over \$2 billion.

Individuals, firms and banks doing business in Canada or abroad will find at "The Royal" world-wide banking facilities—and many specialized services outside the realm of routine banking.

We welcome your inquiries and the opportunity of working with you in furthering your business interests in Canada and abroad.

# THE ROYAL BANK OF CANADA

HEAD OFFICE - MONTREAL

New York Agency, 68 William St., N. Y. 5 Correspondents the world over

Assets exceed \$2,400,000,000





Lewis L. Bush

Henri Z. Lake

(CONTINUED FROM PAGE 22) cessor is FRED QUANE, who had been superintendent of branches in Quebec and Newfoundland. FREDERICK S. HARRISON, assistant manager of the Vancouver main office, succeeds Mr. QUANE. In 1948-49 Mr. HARRISON was assistant superintendent of the district he will now head.

HENRI Z. LAKE has been made a vice-president of Manufacturers Trust Company, New York.

LEWIS L. BUSH has been named vice-president of American Trust Company, San Francisco.

The Union Bank, Erie, Pennsylvania, has named as auditor Leon-ARD S. OLESKI.

First Trust & Deposit Company, Syracuse, New York, has promoted Howard A. Tipper to a vice-presidency. ROBERT W. EDINGER was (CONTINUED ON PAGE 26)

Homer J. Livingston, right, president of The First National Bank of Chicago, compliments John Mosler, vice-president of the Mosler Safe Company, on the full-page ad which appeared in the April 23 Life magazine. (It appeared also in the May Banking.) The ad, captioned "Can you find your bank in each of these pictures?," is one of a series devoted to informing the public of diversified and helpful bank services and their importance. Bankers everywhere asked for blow-ups like the above to display in their lobbies



# FIELD WAREHOUSING

# Warehouse Receipt Loans Against Inventory

Thousands of Warehouse Receipt Loans have been made by Banks against hundreds of different kinds of raw materials and finished products . . . stored in our warehouses established on the borrowers' own premises. We have never failed to deliver the goods covered by our Warehouse Receipts.

### **OPERATING OFFICES**

128 Jackson St., Albany 1, Ga. • Healey Bldg., Atlanta 3, Ga. • 60 State St., Boston 9, Mass. • 14 Lafayette Square, Buffalo 3, N. Y. • 173 West Madison St., Chicago 2, III. • Thomas Bldg., Dallas 1, Texas • National Bank Bldg., Detroit 32, Mich. • 121 W. Forsyth St., Jacksonville 2, Fla. • 520 W. Seventh St., Los Angeles 14, Calif. • 39-45 No. Third St., Memphis 3, Tenn. • 404 St. Charles St., New Orleans 12, La. • 16 So. Broad St., Philadelphia 2, Pa. • Keystone Bldg., Pittsburgh 22, Pa. • 425 East 8th St., St. Paul 1, Minn. • 235 Montgomery St., San Francisco 4, Calif.

New York Terminal Warehouse Company 25 SOUTH WILLIAM ST., NEW YORK 4, N. Y.

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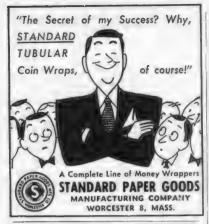
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# Fast, Efficient, Service Plus Friendly Counsel

Bankers throughout the Nation and the Southeast have learned that the "Friendly Fulton" National Bank of Atlanta not only renders fast and efficient service on all routine correspondent items, but also stands ever ready to render friendly, personal advice and counsel on their specific problems as well as those of their customers operating in this area.

Over 40 years of banking experience is at your disposal. Call on The Fulton National Bank of Atlanta for the extra and unusual in correspondent banking service.



(CONTINUED FROM PAGE 24)
appointed trust officer, and RALPH
S. WIEGAND was made an assistant
vice-president.

HERMAN F. HAHN, president of Union Bank & Trust Co. of Los Angeles, was awarded the "Man of the Year" medal by the Welfare Federation of Los Angeles for his work as chairman of the 1950 Community Chest campaign. Mr. HAHN also was elected treasurer of the Federation for 1951-52.

PAUL M. CREIGHTON is new president of Costa Mesa (California) Bank, succeeding Charles Te-Winkle who resigned to become board chairman, Mr. TeWinkle had been president of the bank since it opened in December 1947.

JOHN T. KIMBERLY has been elected treasurer of the National Savings Bank, New Haven, Connecticut. He is vice-chairman of the Educational Committee and vice-chairman of the Bank Management Committee of the Savings Banks' Association of Connecticut.

LAMAR B. HILL is new cashier of the First National Bank of Cartersville, Georgia. He was formerly

cashier of the First National Bank of Auburn, Alabama, and before joining that bank had been an assistant national bank examiner. Mr. HILL is a student of The Graduate School of Banking.

Crocker First National Bank, San Francisco, announces the retirement of A. R. Angell, vice-president in charge of the Foreign Department, and Paul Roth, assistant cashier in the real estate department. Mr. Angell started with the bank in 1909; Mr. Roth in 1915.

MARRINER S. ECCLES, formerly a member of the Board of Governors of the Federal Reserve System, has been elected chairman of the board of the First Security Corp. He was one of the organizers and first president of the corporation. His brother, George S. Eccles, is now president.

MITCH GRAY GILBERT is now vicepresident of the Empire State Bank of Dallas. He was formerly with the Texas Bank and Trust Company, Dallas.

T. CLYDE MCCARROLL has been advanced to vice-president by Guaranty Trust Company of New York. He continues in the trust depart-

Members of the Association of Bank Women of the Greater New York area are guests of Miss M. Irene West, last row, extreme right, vice-president of the National Bank of Far Rockaway, New York, at her annual luncheon, dinner, and beach party at the Atlantic Beach Club. At the left of Miss West is J. E. Lynch, president of the bank. Front row, far left, is Mrs. Nancye B. Staub, regional vice-president of the Association and assistant secretary and assistant trust officer of the Morristown (New Jersey) Trust Company. Mrs. Staub is a contributor to Banking, as is Miss Mabel F. Thompson, assistant secretary, Union Dime Savings Bank, New York, who is at the extreme left, second row



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For 20 years the Washington Mutual Savings Bank, Seattle, has annually made space available in its vaults for counting and storing millions of pennies collected for the Children's Orthopedic Hospital. Volunteers, above, sort and count coins in the bank's vault

ment with the investment work with which he has been identified during most of his 26 years with the company.

Assistant Vice-president ROBERT L. TRIPP has been named manager of the new East Central Branch of the Albuquerque National Bank.

E. WHITEFORD HUNTER has been made secretary of State Street Trust Company, Boston, on the retirement of Edward D. Harlow who has been with the bank for 45 years. Dana M. Dutch also has retired after 49 years with the bank. He is succeeded as manager of the corporate trust department by Howard B. Phillips, assistant secretary.

F. STANLEY DEVOY, treasurer of the Rochester (New York) Savings Bank, has been made a vice-president. He is succeeded by ARTHUR R. STEBBINS.

FRED W. NIESZ, a senior auditor at Central National Bank of Cleveland, has been made assistant to the manager of the bank's Playhouse Square Office.

New officers of the Amoskeag Savings Bank, Manchester, New Hampshire, are: Chairman of the board, W. P. STRAW; president, J.

# WE ARE ALL WET

Advertising copy such as this is supposed to be informative since it doesn't have eye appeal. However, the copy that is timely and informative when it is written is oftentimes water over the dam when it appears in print.

For example, as this is written the one and only subject of importance in our minds is the catastrophic flood condition in the Kansas City area, and more specifically, the eight feet of water in our Kansas City plant. Any other subject is irrelevant, so we feel impelled to talk about it and we sincerely hope that when this appears in print it will indeed be water over the dam—or more to the point, water back over the levee.

If we operated just this one plant we would be out of business for a long time to come because, in these days of scarcities, neither supplies nor machines can readily be replaced. As it is, even though it is only forty-eight hours since the dikes broke, we have trailers in St. Paul and Chicago loaded with motors,

electrical controls, clean-up equipment and supplies. We have engineers, electricians, carpenters and machine repairmen all ready to fly in as soon as they get the signal. We are replenishing check inventories in St. Paul and Chicago on an around-the-clock schedule. And we are already processing Kansas City plant orders in Chicago.

Insofar as our customers in the affected area are concerned, their orders will be filled. Not as promptly as out of Kansas City, and perhaps not as well handled because of lack of familiarity with the specifications, but nevertheless the checks will be delivered. On other occasions we have been grateful for our multiple plant set-up and this is another instance when it pays off.

As to when we will be able to move in and go to work on the restoration program, we cannot say. All we know is that we are ready to start the moment the authorities give us the green light. Let's hope that by the time you read this the job will be finished.



Manufacturing Plants at:

NEW YORK, PAOLI, CLEVELAND, CHICAGO, KANSAS CITY, ST. PAUL

# THAT SAYS: "You're Welcome...

Good public relations begin at the office door . . . where attractive and comfortable furniture welcomes your clientele. Here, in SIKES "Colonist



The SIKES COMPANY, Inc. 24 Churchill St., Buffalo 7, N. Y.

Craft" furniture, is the ruggedness and informality of Early Americana adapted for hospitality today! In mellow "Butterscotch" it has a warmth and charm that truly says, "You're welcome... and be comfortable." Surprisingly low in maintenance cost; no upholstery to soil. Write us for FREE illustrated folder on this fine line... and name of nearest dealer.





And no wonder! WESTON BOND. 25% rag content, gives you quality beyond question at extremely modest cost. It carries the WESTON name right in the watermark as a Write for sample book.

guarantee of extra value and dependability. Use it for all your letterheads and business forms. Made by Byron Weston Company, Dalton, Mass.

# Made by the Makers of OLD HAMPSHIRE BOND and a Complete Line of Papers for Business Records

# COLOMBIA

# Land of American Opportunity

In the years ahead, few countries in South America will offer U. S. business such broad and vital trade opportunities as Colombia. All signs point to a substantial increase in Colombian travel - export and import trade - development of new industries or expansion of existing local industries.

Progressive U. S. banks and business organizations know these facts — are establishing correspondent relations in Latin America, notably in Colombia. In increasing numbers they are taking advantage of the exceptional and complete banking facilities provided by this 38-year-old institution.

With 25 offices, located in all important commercial centers, trade information is quickly gathered and forwarded to you. Special departments are available to handle your collections and letters of credit.

Inquiries cordially invited.

# BANCO COMERCIAL ANTIQUEÑO

Established 1912

Cable address for all offices - Bancoquia

\$15,000,000. — Pesos Colombian \$13,000,000. — Pesos Colombian Capital paid-up

Reserves:

General Manager: Antonio Derka

Head Office: MEDELLIN, COLOMBIA, SOUTH AMERICA

BEANCHES: Armenia (C), Barrancabermeja, Barranquilla, BOGOTA, Bucaramanga, Cail, Cartagena, Cartago, Cúcuta, Girardot, Dagué, Magangué, Manizales, Monteria, Neiva, Palmira, Pasto, Pereira, Puerto Berrio, San Gil, Santa Marta, Sinceleio, Socorro, Vélez.

New York Representative - Henry Ludeke, 40 Exchange Place, New York 5, N. Y.





M. M. Hatcher

V. B. Gillespie

FRED FRENCH: HOWARD L. HUX-TABLE continues as treasurer with added duties: Mrs. BESSIE F. GILLIS is assistant secretary.

MAURICE M. HATCHER has been advanced to vice-president and manager of the bond department of First National Bank in Dallas.

At Security-First National Bank. Los Angeles, vice-president VIRGIL B. GILLESPIE has been named vicepresident and manager of the Long Beach branch, succeeding the late CLIFFORD C. JAMESON. MALCOLM P. SCHUMACHER and EDWARD L. SHAW were elected vice-presidents.

# **News About Banks**

THE NATIONAL BANK OF MATTOON. Illinois, held an Employees Service Recognition Dinner, honoring employees who had been with the bank for 5, 10, 20, 30, and 40 years.

At its opening day, the Eastwood Office of the SYRACUSE SAVINGS BANK opened 1,347 new accounts totaling \$132,049.59. Mayor Tom Corcoran officiated at opening ceremonies and the proceedings were televised. Youngest visitor was a four-month old baby who came in a basket and whose mother opened an account for him; oldest depositor was 81. The building is modern with much glass and provision is made for drive-in banking and bank parking.

THE NATIONAL CITY BANK OF CLEVELAND, Ohio, is to purchase the assets and business of the BANK OF BEREA. This will add three offices to National City's group as the BANK OF BEREA has branches in Olmsted Falls and North Olmsted.

F. Raymond Peterson, chairman of the board of 1ST NATIONAL BANK AND TRUST Co., and C. Wesley Bensen, board chairman of the UNITED

(CONTINUED ON PAGE 30)

# Serving the Leaders



September 1951

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# GREETINGS TO THE A.B.A. CONVENTION

From Memphis, "Down in Dixie," UNION PLANTERS BANK, now in its 83rd year, sends greetings to the members of the A. B. A. on the occasion of their annual convention.

# Union Planters

National

BANK & TRUST CO.

Since 1869

MEMPHIS, TENNESSEE

Capital, Surplus and Undivided Profits over 16 Million Dollars

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

(CONTINUED FROM PAGE 28)

STATES TRUST Co., both of Paterson, New Jersey, have announced the proposed merger of the two institutions. This will increase 1st NATIONAL'S offices in Paterson and Clifton from seven to 10, and will make the bank the largest national bank and second largest commercial bank in New Jersey.

LINCOLN SAVINGS BANK, Brooklyn, recently celebrated its 85th anniversary. The bank has five offices serving more than 225,000 regular depositors.

COUNTY TRUST COMPANY, White Plains, New York, has opened a new office in Bedford. The bank now has 20 offices in 15 Westchester County communities.

When the ELYRIA (Ohio) SAVINGS & TRUST Co. opened its new branch at Avon Lake, the Elyria Chronicle-Telegram had a 14-page section devoted to ads and news on the event.

MONTCLAIR (New Jersey) TRUST COMPANY gave away "money" at the 50th anniversary open house at its Center Office. The money was chocolate "coins" wrapped in gold foil.

Ten thousand people came to the open house of the FIRST AMERICAN NATIONAL BANK, Nashville, Tennessee, celebrating completion of remodeling of the main banking room. It was said that there had never been a floral display in Nashville comparable to that in the lobby for this occasion.

SUBURBAN TRUST COMPANY, Takoma Park, Maryland, has opened a new branch at Flower Avenue, Silver Spring. The new bank provides an air-conditioned community room for public and recreation purposes. Assistant Treasurer John R. Graff is manager.

SWISS BANK CORPORATION, Basle, the largest of the Swiss commercial banks, has announced the incorporation of a Canadian company with the title SWISS CORPORATION FOR CANADIAN INVESTMENTS, LTD. The new corporation has an authorized share capital of \$2-million (Canadian) and is authorized to act as "dealers in investments and as general financial agents."

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# These 10 keys open the way to greater posting iciency

The modern way to post depositors' checking accounts is with the UNDERWOOD SUNDSTRAND Bank Model Accounting Machine

More work . . . in less time . . . with less effort . . . that's a thumbnail description of results after you install Underwood Sundstrand.

Management likes it because greater efficiency means lower costs; higher profits.

Employees like it because the Underwood Sundstrand Bank Model Accounting Machine is so

One big reason for this approval is the convenient 10-key keyboard. This is the simplest keyboard easy to use. ever devised for an accounting machine.

# Underwood Corporation

Accounting Machines ... Adding Machines ... Typewriters ... Carbon Paper ... Ribbons New York 16, N. Y.

Underwood Limited, Toronto 1, Canada One Park Avenue

Sales and Service Everywhere

o 1951

Fast, accurate, touch-operated . . . this logically arranged 10-key keyboard adds speed to an operator's job . . . while it cuts tiresome head-swing,

Available with or without the Automatic Check and its attendant errors. Count Feature, this Underwood Sundstrand model can be applied to the Single or Dual plan of post-

Get the whole story on the Underwood ing checking accounts. Sundstrand Bank Model. Our new folder, "The Modern Way" gives full details. The coupon will bring you your copy. Mail it today.

UNDERWOOD CORPORATION One Park Ave., New York 16, N. Y.

Please send me your folder on the new Underwood Sundstrand Bank Model Accounting Machine for post-Gentlemen: ing Depositors' Checking Accounts.

Your Name\_ State Zone\_

# Washington Portrait Building gleams behind a black

... The facade of the Federal Reserve marble fountain

NO. 6 IN A SERIES OF COMPOSITE REPRODUCTIONS OF THE FACE OF THE NATION'S CAPITAL



Ollie Atkins

# The RIGGS NATIONAL BANK

of WASHINGTON, D. C. FOUNDED 1836

Largest bank in the Fifth Federal Reserve District which includes Maryland, Virginia, North Carolina, South Carolina, a section of West Virginia and the District of Columbia.

COMPLETE BANKING AND TRUST SERVICE

RESOURCES OVER \$300,000,000

LARGEST FINANCIAL INSTITUTION IN THE NATION'S CAPITAL

Member Federal Deposit Insurance Corporation . Member Federal Reserve System

# The OUTLOOK

# and CONDITION OF BUSINESS

PUBLIC officials say The Thing that business sees in the dead of night is inflation definitely but the buying and investing public, in its own coy, contrary way, says maybe yes, maybe no.

The words of a cryptic rhyme in circulation several years ago provide about the proper intellectual setting for any discussion of the business outlook.

Last night we saw upon the stair A little man who wasn't there. He wasn't there again today. Oh, how we wish he'd go away!

Peace continues to advance rapidly backwards and each new attempt to make love to Russia leaves the international situation more perilous than before. The East-West rift began many years ago and will take many years to correct.

In spite of well maintained earnings, business faces a difficult period and caution will be the rule.

If there is no large scale war in the next year or so, the Government will have too much business and business will have too much Government. By October it is estimated that 50,000 manufacturers will be clearing their factory schedules with the Government. There will be far more money to spend and less to spend it for. Business will no longer be suffering inventory trouble but the Government will be up to its ears.

The defense spending program could not be stopped if we tried, within several years, and the new controls provide disturbing promise of higher wages and prices.

Other doubts about the domestic outlook are occasioned by the slow liquidation of inventories in all business and consumer markets, by the prospect of higher taxes, by the dislocation of labor and materia's resulting from the defense program, and the certainty that half hearted controls on a grand scale will generate a vast swarm of teeny-weeny regulations spreading into every desk and filing cabinet in the land.

### No Socrat

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In the repeated warnings from on high about infla-

tion, there is something reminiscent of the days when we were told again and again and again that President Roosevelt was one of the first to see that war was inevitable. Nothing could be innocently closer to the truth. Who else, the echo answers.

The moral is that we should not cast lightly aside the predictions of inflation coming from people who know what they plan to do and make no secret of it.

Within a year, according to plans announced confidentially to the world from time to time, we will be spending more than \$5-billion a month for aircraft and ships, tanks and guns, weapons of all kinds, and equipment for defense. The figure is now around \$3-billion.

Our productive plant is being expanded at the rate of \$26-billion for the current year, chiefly among producers of basic materials, transportation and storage, and some finished products. Certificates of necessity, permitting accelerated tax amortization, provide the stimulus for much of this expansion and thus far about \$8-billion worth of new plants and equipment have been authorized to receive these tax benefits.

Basic materials chiefly affected, both as to production and fabrication, are coke and coal, iron and steel, mining and iron ore and non-ferrous ores, non-ferrous metals and alloys, metal scrap reclamation, chemical products, gasoline, fuel oils and lubricants, rubber, refractories, fiber glass, cement and concrete products, cotton ginning, textiles, lumber and pulp and paper.

### That IF

If peace prevails, our growing volume of defense production may soon be a problem. A portion of our newly-expanded productive capacity could conceivably be turned back to civilian production. This would have a deflating effect on prices because we were already having indigestion in many civilian lines when the Korean trouble came along and scared both business and the public into buying too much.

(CONTINUED ON PAGE 160)

# What's Ahead for Bank Credit?

CARLISLE R. DAVIS



Carlisle R. Davis

Mr. Davis, who is vice-president of the State-Planters Bank and Trust Company of Richmond, is a member of the American Bankers Association Credit Policy Commission and a lecturer at The Graduate School of Banking conducted by the American Bankers Association at Rutgers University. He was the first winner of the Ayres Leadership Award, established by the G.S.B. Board of Regents.

In the past 10 years there have been comparatively few losses taken on bank loans. For many years we have been operating on a

rising market in a period of high employment, strong production, large profits, and active sales. During World War II, war production and restricted civilian production made for a most active economy. The postwar years to June 1950 were busy and prosperous ones, during which we were supplying the deferred necessities and luxuries of our people and shipping abroad raw materials and finished goods.

Then in June 1950, when it appeared that the backlog of requirements was about eliminated, the Korean War began and with it a frantic scramble, by government, individuals and business concerns, to purchase goods of all kinds. Active business continued until early in 1951, when there were signs that in some lines, despite material shortages, despite employment problems, despite controls, our most capable productive machine had manufactured more of some goods than were required by the economy at that time. Some of this temporary over-supply in a few lines was attributed to credit controls, such as Regulation W.

While a few concerns were reported in financial trouble because of this situation, there was no general alarm nor widely held belief that we were headed for a depression. The Korean War was develop-

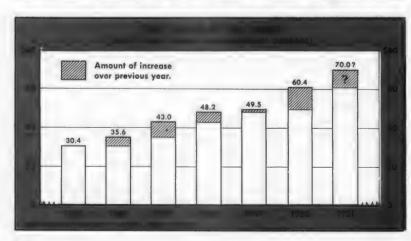
ing into a stalemate, the billions of defense expenditures were beginning to roll at an accelerated pace, prices for many products were continuing their upward pressure, and the fear of inflation was becoming a very real one. The Federal Reserve authorities were exercising more and more controls and were actively cooperating with the financial community which had vigorously supported the Voluntary Credit Restraint Program.

Then came the suggestion from Russia that an attempt be made to work out a settlement of the Korean affair. As we write this early in August, it appears that some settlement will result. The prospect of this has caused the business community to Stop, Look and Listen, and in the vanguard of this group of watchers and listeners will be found the bankers. We are trying to determine what is ahead for bank credit.

There have been no losses of consequence in bank loans in recent years, but what does the future hold?

WHAT is ahead for bank credit between now and December 31, 1951? No one has the accurate answer, yet each must consider the factors which will influence the answer, attempt to weigh their importance, and arrive at some conclusion. Let us consider two phases of the subject. First, there is the dollar volume of loans which the banking community will handle. This is important, as total loans today are fairly heavy in relation to the capital cushions of the banks. Second, there is the question of loan quality. What is the risk factor?

To stimulate our thinking on these questions, let's consider certain major factors which should be working between now and December 31, 1951, attempt to gauge their influence on the quantity and quality of loans, and try to reach some very general conclusion. Admittedly,



# Indications: Active Fall Business; Strong Inflationary Forces; High Volume of Bank Loans, Many of Which Should Be Carefully Scrutinized

there will be a wide margin of error in our guesses, yet each of us must try to reach a conclusion.

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What are some of the major factors which we should consider?

First, I think we should recognize that we are starting from a very high base. Wholesale commodity prices, while showing some softening in some instances in recent weeks, are still very high by any standard. Employment is full. Bank loans are high. Department store sales, while running under the 1950 Korean exaggerated figures are still large when considered with figures prior to 1950. Business in certain lines has fallen from the peak (so much so that some authorities fear a general downturn) but still is excellent when considered with long range past experience. The fact that we are operating on a high level should cause us to realize that the prospect of a downturn may be great.

## "Understanding"?

Second, it appears at this writing that we will reach an understanding of some character on the Korean problem. This well may be of a nature not particularly pleasing to us and may not be a permanent understanding. If we could have confidence in the permanence of any such agreement, we might be able to curtail materially our expenditures for defense. With the world as small as it is, with many areas of probable trouble and Russia the type of nation she is, and with the United States admittedly unprepared, it is very difficult to see how an intelligent American people could approve a discontinuance or drastic curtailment of defense preparation. Defense expenditures today are running at an annual rate of about \$37-billion and are scheduled to rise to \$55- to \$60-billion by late 1952. Congress may curtail defense spending sometime next year, it seems unlikely that expenditures this fall will be changed from these early 1951 plans. If this assumption is correct, defense expenditures should increase steadily and probably continue high for the early part of 1952. This will mean a curtailment of civilian use of some strategic materials. Some authorities feel that Government outlays for defense have been hiding a slide in civilian business activity in recent months. It would appear, however, that this prop will continue for this calendar year, in any event, but, if a decline in defense spending takes place, this would alter sharply the economic situation.

Third, it is generally believed that the Federal Government, because of defense and other expenditures, will be running a deficit this fall. If this prophecy materializes, it should have an inflationary influence.

Fourth, reports indicate that fall crops will be large and, though present prices for some commodities are declining, it still appears that prices for these crops this fall in most cases will be satisfactory though possibly lower than present levels. With probably larger crops and good prices likely, agricultural income this fall should bolster our economy greatly.

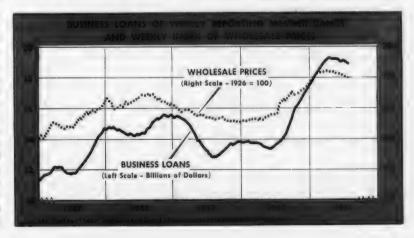
Fifth, employment should be high, with wage rates equal to or greater than at present. Many people be-

lieve that a reasonably satisfactory Korean settlement may cause Congress to reduce the amount which a new tax bill would take and could eliminate a tax bill this year altogether. Most authorities believe that even if taxes are increased, the American people will still have larger incomes available for spending. A pertinent question is how much of this additional income will be saved and how much spent. Has the saturation point for, say, refrigerators been reached?

# **Production Prospect**

Sixth, the American machine is a most productive one. It seems reasonable to assume that our overall production this fall should increase. It is believed that the increase in defense requirements will be greater than the net overall increase in production, making less civilian production at a time when civilians are expected to have more money to spend. Stocks of certain civilian goods appear excessive at this writing and these should serve to offset partially, at least, the smaller production of civilian goods this fall. Despite this, however, many thoughtful people believe that there may be serious shortages in some civilian supplies between now and December 31.

(CONTINUED ON PAGE 138)



# Determining Bank Instalment Credit Costs

G. SCHUYLER BLUE

The author is assistant vice-president of the Mercantile-Commerce Bank and Trust Company, St. Louis, which will become the Mercantile Trust Company soon after September 1 upon merger with the Mississippi Valley Trust Company.

T is a safe bet that *more* bankers know *less* about their profits (and losses) on instalment loans and paper purchased by their instalment credit departments than any other group of lenders in the financial world.

And, to think that these bankers hold 48 percent of all instalment credit outstanding in the country! (This is according to Federal Reserve and FDIC reports as of December 31, 1950.)

A great many bankers do not believe in making cost studies and will give you many reasons why such studies are irrelevant and unimportant. They are conscious at all times of the net yield received on their Government bonds and other investments down to the last 32nd, but have no idea of their net yields on instalment credit, which they extend every day.

The irony of this deplorable situation is that there are no uniform standards or practices which can be followed by all banks to determine fundamental costs of handling various classes of instalment credit. No two banks that do analyze their costs seem to use exactly the same methods nor the same basis upon which to compute costs. These banks, however, do know their costs, which is extremely important in making profits on their "investments" in instalment credit.

Our bank is one of those that wants to know the cost of extending instalment credit covering various

classes of business. We analyze our expenses and arrive at break-even points on the following classes:

- (1) Direct lending, covering all loans made directly to customers and the public.
- (2) Property improvement (FHA) loan contracts, purchased from dealers, builders, and contractors.
- (3) Automobile contracts, purchased from dealers selling new and used automobiles and trucks.
- (4) Appliance contracts, purchased from dealers selling new appliances.
- (5) Miscellaneous contracts, purchased from dealers, including commercial equipment and fixtures, house trailers, etc.

Our last analysis covered all transactions handled in our instalment credit department during the year 1950. The goal of this analysis was to establish costs for the above classes of business, as follows:

- (1) The acquisition cost per new transaction.
- (2) The collection cost per payment collected.
- (3) The per dollar expense per transaction.

After determining these costs, we were able to add them together and arrive at the break-even points for each class of loan made, or paper purchased, regardless of the size or term of transactions. We arrived at these break-even points as follows:

(1) All expenses charged directly to the department during 1950 were analyzed and allocated to the various classes of business handled, under two headings—acquisition and liquidation. These direct expenses included the following:

Advertising, auto expense, collection and repossession expense, credit reports, filing and recording fees, postage, salaries and Social Security taxes, insurance and retirement annuities, stationery and supplies, telephone and telegrams, travel and entertainment, use of tabulating equipment, furniture and equipment purchased, automobile depreciation, compensating charges for services performed by certain other departments directly associated with our departments (such as tellers handling payments, proof department handling intra-bank clearings, etc.)

- (2) Indirect expenses were determined and allocated to the various classes of business handled and further broken down under the two headings—acquisition and liquidation. Calculations were made as follows:
  - (a) Rent. Expense items such as light and power, heat, refrigeration, general maintenance, depreciation, etc., were all lumped together as one figure. By actual measurement, we arrived at a known used space. This was divided into the total maintenance cost to give us a maintenance cost per square foot of used space. This figure, applied against the known area of our department, gave us a cost of occupancy.
  - (b) General Overhead. Expense items such as legal, floormen, night watchmen, general books, mail department, exchange department, comptroller's department, central information files, central service, purchasing, research, timekeepers and institutional advertising, together with such miscellaneous expense items as donations, dues, books and subscriptions, bank examinations, clearing house association, franchise tax, etc., were all lumped together as one figure.

By dividing this figure by the total gross salaries of the bank (less administrative salaries), we arrived at a general overhead cost per dollar of payroll cost. This cost per dollar factor, applied against our department's salary costs, gave us a figure representing our share of the total general overhead expenses.

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(c) General Administrative Costs. Salaries of all administrative personnel of the bank were divided by the total gross salaries (less administrative salaries) to determine a general administrative cost per dollar of payroll cost. This cost per dollar factor, applied against our department's salary costs, gave us a figure representing our share of the total general administrative costs.

(3) The acquisition cost per loan was determined by adding:

(a) Acquisition expenses charged directly to the department and allocated to each class of business. (Explained in Step 1)

(b) One-half of rent expense, first divided between direct lending and indirect paper purchased operations according to amount of space required to service new business, and then allocated to the various classes of business on the basis of number of new accounts handled.

(c) General overhead expense, allocated to each class of business on the basis of salary costs of personnel handling such classes.

(d) General administrative expense, allocated the same as (c).

The sum of these expenses was divided by the total number of new transactions acquired in each class of business to arrive at the acquisition cost per loan per class. Such costs per loan are fixed costs, regardless of the amount or term of

(4) The collection cost per payment was determined by adding:

(a) Liquidation expenses, charged directly to the department and allocated to each class of business. (Explained in Step 1.)

(b) One-half of rent expense, allocated to the various classes of business on the basis of the number of accounts outstanding.

(c) General overhead expense, allocated to each class of business on the basis of salary costs of personnel handling such classes.

(d) General administrative expense, allocated the same as (c).

The sum of these expenses was divided by the total number of payments collected during the year (calculated by multiplying the average number of accounts outstanding during the year by 12, in each class of business). Such costs per payment multiplied by "x" number of months will indicate the collection cost for any particular transaction and are variable costs according to the term of the loan or contract.

(5) Per dollar expense per transaction was determined by adding:

(a) Cost of money, calculated at 21/2 percent per annum on the actual cash employed during the term of the loan or contract. On a 12-month transaction, the 21/2 percent rate is equivalent to \$1.35 per \$100 determined by multiplying \$2.50 by the factor .5417. (Formula for factor is: number of monthly payments plus one, divided by two times number of

months per year, or 
$$\frac{N+1}{24}$$

(b) Reserve for losses, based on a rate of 1/2 of 1 percent per new loan made, regardless of the term of the loan. (No reserve was calculated on FHA property improvement loans.)

These per dollar expenses vary with the amount and term of contract or loans made. The percentages of cost of money and reserves for losses are entirely arbitrary and will vary with each lender's policy.

(6) The break-even points per loans made (per \$100) were determined by adding:

(a) Acquisition cost per loan Step 3);

(b) Collection cost per loan (Step

(c) Per dollar expenses (per \$100 transaction) (Step 5).

The sum of these items represents the total cost of any \$100 contract or loan made for any particular term of months.

(CONTINUED ON PAGE 106)

Miscel-

# BREAK-EVEN POINT CALCULATIONS

(12 month transactions)

Acquisition	Cost
Per Transa	ction:

-Discount rate

2.31

2.65

1.80

2.61

2.38

4	Average Retail	Direct Loans	Prop. Imp. Paper	Auto- mobile Paper	Appliance Paper	Miscel- laneous Paper
Direct expenses	\$7.60	\$10.89	\$5.18	\$10.56	\$5.78	\$10.93
Rent	.49	1.07	.38	.29	.23	.17
General overhead	1.33	1.84	.88	1.97	1.03	1.98
General administrative	.35	.49	.23	.52	.27	.53
TOTAL	\$9.77	\$14.29	\$6.67	\$13.34	\$7.31	\$13.61
Collection Cost Per Payment:						
Direct expenses	.335	,367	.287	.359	.385	.477
Rent	.026	.025	.028	.024	.028	.013
General overhead	.060	.070	.049	.066	.068	.099
General administrative	e .016	.019	.013	.018	.018	.026
TOTAL	\$ .437	\$ .481	\$ .377	\$ .467	\$ .499	\$ .615
Per Transaction	\$5.24	\$5.77	\$4.52	\$5.61	\$5.99	\$7.38
Per Dollar Expense (Per \$100 Unit):						
Per Dollar Expense (Per \$100 Unit): Money cost @ 2½% per annum		1.35	1,35	1.35	1.35	1.35
Per Dollar Expense (Per \$100 Unit): Money cost	1.35	1.35	1,35	1.35	1.35	1.35
Per Dollar Expense (Per \$100 Unit): Money cost @ 2½% per annum Reserve for losses	1.35		1.35			
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo	1.35	.50	_	.50	.50	.50
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo TOTAL  Break-Even Points	1.35	.50	_	.50	.50	.50
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo TOTAL  Break-Even Points (Per Transaction):	1.35 l40 \$1.75	.50 \$ 1.85	<b>\$ 1.35</b>	\$ 1.85	.50 \$ 1.85	\$ 1.85
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo TOTAL  Break-Even Points (Per Transaction): \$100—Total cost	1.35 l40 \$1.75	.50 \$ 1.85 \$21.91	\$ 1.35 \$12.54	\$ 1.85 \$ 20.80	.50 \$ 1.85 \$15.15	\$ 1.85 \$ 22.84 22.84
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo  TOTAL  Break-Even Points (Per Transaction): \$100—Total cost —Discount rate	\$1.35 l40 \$1.75 \$16.76 16.76	\$ 1.85 \$ 21.91 21.91	\$ 1.35 \$12.54 12.54	\$ 1.85 \$ 20.80 20.80	\$ 1.85 \$ 1.85 \$15.15	\$ 1.85 \$ 22.84 22.84 26.54
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo  TOTAL  Break-Even Points (Per Transaction): \$100—Total cost —Discount rate \$300—Total cost	\$1.35 140 \$1.75 \$16.76 16.76 20.26	\$ 1.85 \$ 21.91 21.91 25.61	\$ 1.35 \$12.54 12.54 14.24	\$ 1.85 \$ 20.80 20.80 24.50	\$ 1.85 \$ 1.85 \$15.15 15.15 18.85	\$ 1.85 \$ 22.84 22.84 26.54 8.85
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo  TOTAL  Break-Even Points (Per Transaction): \$100—Total cost —Discount rate \$300—Total cost —Discount rate	\$1.35 140 \$1.75 \$16.76 16.76 20.26 6.75	\$ 1.85 \$ 21.91 21.91 25.61 8.54	\$ 1.35 \$12.54 12.54 14.24 4.75	\$ 1.85 \$ 20.80 20.80 24.50 8.17	\$ 1.85 \$ 1.85 \$15.15 15.15 18.85 6.28	\$ 1.85 \$ 22.84 22.84 26.54 8.85 30.24
Per Dollar Expense (Per \$100 Unit):  Money cost @ 2½% per annum Reserve for losses @ ½% per new vo  TOTAL  Break-Even Points (Per Transaction): \$100—Total cost —Discount rate \$300—Total cost —Discount rate \$500—Total cost	\$1.35 140 \$1.75 \$16.76 16.76 20.26 6.75 23.76	\$ 1.85 \$ 21.91 21.91 25.61 8.54 29.31	\$ 1.35 \$12.54 12.54 14.24 4.75 17.94	\$ 1.85 \$ 20.80 20.80 24.50 8.17 28.20	\$ 1.85 \$ 1.85 \$15.15 15.15 18.85 6.28 22.55	\$ 1.85 \$ 22.84 22.84 26.54 8.85 30.24 6.05
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# Grandmother's Will

EARL S. MacNEILL

The author is a vice-president of the Irving Trust Company, New York.

F you haven't read it, beg, borrow or steal a copy of the August issue of *The Atlantic Monthly* and read the article by George W. Alger entitled, "Grandmother Draws Her Will."

A leader of the New York bar, Mr. Alger began to practice in Manhattan in 1895. Add a half century-plus of experience to a Vermont heritage and the product is great wisdom. The lively humor bubbling through the text is Mr. Alger's individual genius.

Clichés of will drafting are given a rough going over; first victim is per stirpes.

This particular grandmother had a son and daughter. The son had one child; the daughter, four. A per stirpes division would give the son's child, eventually, one-half of the estate and the daughter's children but one-eighth each. "So they suffer," Mr. Alger tells her, "by being in a large family while your son's ewe lamb gets a small fortune by being an only child."

Yes, per stirpes distributions were all right, once, Mr. Alger agrees. People didn't live so long; they knew their children, but they didn't know their grand-children. They couldn't be sure whether they would have any, or how many, or how they would turn out. So the thoughts of the testator and the lawyer focussed on the children. It was impracticable to do more than treat the immediate children equally. After them—the deluge: a flood to the only son's only child, a sprinkle among the daughter's many.

### **How Times Have Changed**

But now, thanks to modern science, there are many more old people; and many more grandmothers—and grandfathers—know their grandchildren. They know how many there will be—with reasonable certainty; and if they do not love them equally they regard them equally as their flesh and blood.

Mr. Alger is critical of "us lawyers" who, "without thinking too much about it, or telling our clients anything about it, fall too easily into the ancient formula."

Have trust officers, in their collaboration with customers and their attorneys, also fallen too easily into the formula? Looking inwardly, I am sure that I have. I am not sure that I would give the following advice without benefit of Mr. Alger's article (the case is hypothetical):

The customer is 80, a widower; his estate is substantial. He has two sons and two daughters; grand-

children total a dozen, but they are not equally divided. It's fairly sure there'll be no more grandchildren. The children, aided by their parents' donations but able in their own right, have prospered. It would be burdening them with embarrassing riches, tax-wise, to leave all of the father's estate to them.

So this formula is suggested: Half of the estate to be set up in equal trusts for the four children. Upon the death of each, the child's share to be divided (and tax-free in the child's estate) among his children. Here is a per stirpes distribution.

But the remaining half of the estate is to be divided among the grandchildren in equal shares per capita—per head. If they're under 30 it will be held in trust until they reach that age. If any have died, their children will take . . . per stirpes, in their case.

# "Weighting the Averages"

Such a formula is a compromise, of course. It would go against the grain—so go back to our original grandmother—to give the son the use of but one-fifth of the estate, whilst giving the daughter the benefit of four-fifths. So we are "weighting the averages." There is equality among the children as to half, among the grandchildren as to half. The child who has been blessed (and there is an element of Providence in this) with fewer children will not be penalized too severely. Moreover, in the case last cited, there had been earlier distributions to the children so that the weighting was well in their favor.

Mr. Alger does not by any means devote himself exclusively to the problems of *per stirpes* distributions. There are other targets: over-emphasis on taxes; grim waiting for death before giving. And this:

"There is another feature of old people's wills which I have never liked—the bloodstream is with them more or less a fetish. They dig up relatives they have not seen or heard from in 20 years and give them legacies just because they are relatives. . . . How many times I have seen old people's wills which made no provision whatever for close friends of their own lifetime, friends known to be old and needy, while remote relatives, difficult even to locate or identify, take their place."

This is a practice that is waning, Mr. Alger believes. "Young people making wills almost never do this kind of thing. The sense of family seems to grow with years, or perhaps the old generation with this sense of family is passing."

Plainly, what is needed is more grandmothers with young ideas.



The National Archives Building in Washington

A. DEVANEY

# Impact of the Defense Program

LAWRENCE STAFFORD

If the President boosts the scope of the defense program in the course of a few months the entire outlook for money and credit, as well as for the economy generally, will be on notice of a probable rather sharp change.

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"We have been moving toward interim goals for Army, Navy, and Air Force strength," the President stated in his Mid-Year Economic Report

"It now appears, as we review our strategic situation in the light of world events, that these goals may need to be raised, whether or not we have an armistice in Korea. The strategic and military studies needed for such decisions have not been completed; if it is indeed necessary to raise our sights, I shall later submit to Congress requests for the additional funds required," he asserted.

This is rather a strong indication that the goals will be raised—an indication further supported by unofficial comments in informed circles in this capital.

The situation is that when the budget for fiscal 1952 was brought forward last January by the President, an outlay of from \$50- to \$60-billion annually was considered the most the economy "could stand" if there were to be a "balanced economy."

# "Balance"

By these terms the Administration meant that in January it guessed that an expenditure of much greater than \$50-billion per year would jeopardize the triple objective of producing weapons for the U.S. forces of 3,500,000, for the forces of our NATO allies, and still provide the materials necessary for the

substantial boost in the capacity of the United States to produce both raw materials and essential civilian as well as war goods.

While talking of a "balanced economy," of course, officials meant an economy that included some form of wage and price controls.

Even if it is not admitted officially, the performance of American industry has surprised the Administration. Industry has tooled up for a vastly expanded production of military goods, has produced a considerable volume of these goods, and at the same time has built up unprecedented dollar totals of inventories, much of them civilian goods.

Industry has achieved this in the face of order after order diverting basic raw materials from the civilian to the military economy. It has produced so well that in automobiles and many hard goods as well as

soft goods, supply was pressing against demand, and weighing down somewhat on price levels.

### **Decision Is Made**

So, obviously, the economy is in for some more blood-letting. The patient is stronger than expected. There is every reason to believe that the goals of military preparedness will be greatly expanded.

It is further indicated that when the decision to expand the military build-up is announced, the expansion will take the form of a greatly boosted Air Force. This would mean that the President for the first time would jettison his former staunchly held policy that no one arm of the military service should be strengthened out of proportion to another.

This form of the expanded military program—a great enlargement of the Air Force—is peculiarly designed to ensure its political approval. The vast Air Force is popular with Congress, as has been demonstrated time after time in postwar legislative maneuvers. It has been only White House opposition which kept the vastly expanded Air Force from becoming a physical

as well as a legislative achievement right now. In fact, Air Force expansion is likely to be so popular as to submerge any possible drive—slowly developing with a "lukewarm war"—to pare down the legislative authorization for the goals as they were before the President's Mid-Year Economic Report.

Only a couple of weeks after the President's announcement, the most influential elements in Congress were already launching the battle to expand the Air Force. The President could conveniently "capitulate" for the first time to this Congressional sentiment, or, at an appropriate time, announce that the initiative for this idea was his.

# Reserve Requirements

When this military expansion decision is made—if it is made as expected—certain trends will become evident for the banking world and for the economy as a whole.

There is pending a decision as to whether Congress shall be asked by the Federal Reserve Board to boost statutory reserve requirements. The President's Mid-Year Economic Report now would seem to resolve that decision ultimately in favor of higher reserve requirements.

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Before the President's announcement, the decision was scheduled to be made in October. At that time the Board would take the economic temperature. If this registered inflationary, higher reserves were to be asked. If not, they would be postponed, despite oft-mentioned Administration statements that they should be called for. (The latest was in the aforementioned report.)

If what lies ahead is a vastly greater economic effort for military production, then it is difficult to see how eventually an overall inflationary economy can be avoided. So it is difficult to see how officials, so long as they set store by higher reserve requirements as an anti-inflationary device, can escape asking for them.

# Timing Is Uncertain

Timing of the need for higher reserve requirements—still assuming a greater military goal—is harder to figure. The legislation to build up the prospective Air Force from its present statutory goal of 95 groups to, say, 145, 150, or 160 groups, will probably not be necessary until the 1952 session of Congess.

Likewise the inflationary impact of the new goal will be delayed. Between now and January, assuming no Congressional reverses, the Administration will work to speed delivery on all outstanding procurement contracts, for all military services, prior to asking for legislation in 1952 to raise the sights on air power.

This might have the effect of postponing beyond October or even November the time when the figurative thermometer could be registering clearly an inflationary trend and dictate the plunge for higher reserve requirements.

## Regulation W

If the military target overall is to be raised, then the action of Congress in loosening by law, and against the express opposition of the Federal Reserve Board, of the prescribed minimum downpayments and maximum maturities of consumer instalment loans, becomes a transitory thing. A greater production effort for defense would seem to connote a smaller civilian production effort. Resulting shortages might bring about the scarcities which would make more cogent the argument for

# HAVE YOU SEEN . . .

(1) The official statement of the application of CMP to construction controls, including bank buildings. Write to Director, National Production Authority, Commerce Department, Washington 25, D. C., for press release NPA 1057. If interested in construction, ask also for the guiding regulation, M-4A, and also for form CMP4C upon which application is made for materials for building construction.

(2) The text of the decision of the Bureau of Internal Revenue. that "Federal funds purchased" are actually "borrowed money" and can be added to invested capital base by banks for purposes of figuring excess profits taxes. Write for the decision on this subject, dated May 31, to the Commissioner of Internal Revenue, Treasury Department. Washington 25, D. C.

(3) The Senate Banking Subcommittee's analysis of the series of loans to Kaiser-Frazer, which gives an explanation of this most unusual series of loans to assist a producer to get established in a highly competitive field. Write for the Interim Report of the Committee on Banking and Currency, U. S. Senate, pursuant to S. Res. 219 of the 81st Congress, entitled "Loans to Kaiser-Frazer Corp. and Kaiser-Frazer Sales Corp." May be obtained from the Committee on Banking and Currency. U. S. Senate, Washington, D. C.

(4) The Mid-Year Economic Report of the President Transmitted to the Congress July 1951, together with a report by the Council of Economic Advisers, for sale at a cost of 65 cents by the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

(5) An analysis of the structure of Federal regulation of banking, and an argument for creation of a monetary commission to study the same by Dr. E. A. Goldenweiser, Director of Research and Statistics for the Federal Reserve Board until 1945. This is published under the auspices of the Committee for Economic Development by McGraw-Hill, and is on sale at most book stores. Its title is "American Monetary Policy."

tightening Regulation W once more.

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Nevertheless, there is unlikely to be legislation allowing a tightening of Regulation W before the 1952 session. The more liberal terms remain a part of the new Defense Production Act until June 30, 1952, unless changed. They can be changed only by Congress. The Federal Reserve Board may further liberalize but may not tighten Regulation W.

# Fiscal Picture Changed

If the military goal is expanded, then the entire fiscal picture is thrown out of joint for an indeterminate period. It is doubted that, barring a new war emergency, it would be possible to persuade Congress this year to go appreciably beyond the revenue target adopted by the Senate Finance Committee. This would seem to suggest a small or a substantial Federal deficit for 1952, depending upon the actual volume of physical military production for the balance of the fiscal year.

Furthermore, resistance by Congress to still another tax bill in calendar 1952 will be terrific. Aside from the fact that there is always resistance to taxes in an election year, a good many of the tax law makers fear that a rise beyond rates in prospect for the 1951 law would pass the point of diminishing returns.

On the other hand, there is no sign that the Government is disposed to economize. It has been demonstrated perhaps conclusively in the last two or three years that more than an eyeful of economies is impossible unless statutorily approved, legally entrenched and regular annual programs of one kind or another are held in abeyance for the duration.

The successful endeavor of the Administration to get, by a combination of administrative and legislative action, more than 100,000 units of public housing construction under way is an illustration of the resistance of the Administration to this sort of economy.

The failure of Congress to pare down subsidies to farmers, in the face of the fact that this move was supported by at least one major farm organization, shows the resistance of Congress as well to this sort of an economy.

# Change Character of Lending

If the movement toward a greater war economy comes as expected, then the business of banking will be de-

voted to an even greater proportion than now expected, to financing war and defense-supporting production. Less and less of credit will support the production and distribution of purely civilian goods.

Already V-loans were showing the large upward surge expected when Congress approved the A.B.A.-sponsored legislation relieving banks of possible contingent liabilities as assignees of the proceeds of defense contractors. Applications for these loans exceeded a billion dollars. Loan approvals by the first of this month were expected to be greater than \$800,000,000.

# A Radically Changed Economy

For business as a whole, the prospect of an expanded war economy portends an even more radical change in outlook.

It has been Administration "dogma" for most of calendar 1951 that, when Congress provided for from \$50- to \$60-billion annually of appropriations for the U.S. and allied military effort for several years, what would happen for a period of about two years was that the U.S. would both produce military goods for itself and allies, and, as well, would expand its capacity to produce

both basic raw materials and an adequate supply of civilian goods.

This proposition was stated typically by Manly Fleischmann, Defense Production Administrator, in announcing allocations for metals for the last three months of calendar 1951:

"Materials are needed for the expansion of productive capacity and basic resources so that by late 1952 or early 1953 materials shortages may be materially reduced, if not eliminated, and the economy expanded so that it can carry the defense program and also permit normal levels of civilian production."

President Truman's Mid-Year Economic Report indication of an enlarged military goal thus threatens this assumption of a "plateau" of \$50- to \$60-billion of military outlays annually with becoming a passing thing. It would appear that the official assumption of the concept of a "limited build-up" is concurrently threatened with passing.

Thus the idea of a definite level, even if in absolute terms a high level, of a "limited build-up" of military expenditures is much in danger of passing into the fog of almost forgotten major, almost global, over-

(CONTINUED ON PAGE 108)

The Ministers of Defense of Great Britain, France, and Canada met with Secretary of the Army Frank Pace early in August to discuss standardization of arms and ammunition for the NATO forces in Europe. Britain had announced her intention of manufacturing a rifle of smaller calibre than that now in use. Left to right Secretary Pace, Jules Moch of France, Emanuel Shinwell of Britain, and Brooke Claxton of Canada



# METHODS and IDEAS

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A Miscellany of News, Views, and Practical Banking Aids

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This department is edited by John L. Cooley of Banking's staff.

# Books Kept on Lithographic Mats

THE KENTUCKY TRUST COMPANY, affiliated with the First National Bank, Louisville, posts its trust account books on ledger sheets which are made on lithographic printing mats.

By this method the original book-keeping entry becomes both the ledger sheet and the means of making copies, either partial or complete. Part of the posted ledger mat is duplicated on a standard lithographic duplicating machine and copies so obtained are mailed to trust customers in the form of statements.

The company tells Banking that it gets "better appearing copies" of the ledger (or statements) from the mats, faster and cheaper than can be had from other processes or by making carbon or typewritten copies.

"This use of mats," says KENTUCKY TRUST, "is believed to be unique among trust companies in the United States, and was begun only after months of experimentation with various types of reproduction equipment. Another trust company has already followed suit by adapting the mat to its real estate accounting. Others are investigating.

"It is believed that anyone now making copies of bookkeeping ledgers might well find the lithographic mat a time and money saver."

The mat ledger sheets are subjected to considerable handling over a period of months, but still produce excellent copies, the company says.

In adapting the mat to this use, KENTUCKY encountered many technical bookkeeping and mechanical problems, most of which it has solved by experimentation. The technique has been explained to inquirers.

# Informing Employees

THE ROYAL BANK OF CANADA, Montreal, devoted a recent issue of its Monthly Letter to a discussion of "Informing Employees," and we'd like to pass along some points made.

For one thing, the bank does not believe that a uniform program for giving facts to a staff is possible; each arrangement should be custommade. However, frankness is an essential ingredient of every program.

"Those charged with the task of informing workers about a business," says the Royal, "need the ability to walk all around every proposition and situation, viewing it from the factory window as well as from the management office." It's a

joint project: "The worker must be willing to listen, to study, and to understand the presentation of management's position. Management needs to cover three points in detail: (1) how employees, departments, management and the company belong in the same enterprise; (2) how the company strives to keep its policies in line with the public interest, the interest of the thousands of men and women who have entrusted their savings to it, the interest of the workers who depend upon it for a living, and the interests of the nation, and, (3) how the company is looking toward the future. preparing for its continuance in business by finding new markets, new processes, new sources of supply,

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Statements for customers (smaller sheets) are obtained by duplicating part of the original mat ledgers (larger sheet)



and ways in which to improve working conditions.

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"Approaches like this will lead to mutual respect, cordial goodwill, and common interest in the success of the enterprise."

Employees should be given information that will enable them to understand that: "their particular job depends for its existence upon the broad policies of the business, upon management's success in merchandising, and upon the cooperation of every other worker; their particular job contributes in a significant way to the wholesome development of business and is necessary to it."

The worker should feel he is "on the inside," that he "participates in the show and is not merely part of a machine."

The supervisor is the key man in employee relations; and to do a good job he too must be informed. "The supervisory people should know in advance that certain information is about to be given to employees or the public. Furthermore, they should have supplementary explanatory matter that will make them respected as the source of answers to many questions. Being able to answer them, or to discuss them intelligently, will raise the supervisor's standing, increase his confidence. add to his feeling of responsibility. and contribute in an important way to the satisfaction of employees."

As for complaints, "nothing will win the respect of employees more quickly or more thoroughly than the establishment of a reputation for handling grievances in a fair and understanding way."

Emphasizing the importance of simplicity and interest in presenting information to employees, the bank points out that staff or public relations work is useless unless it is expressed "in a manner that attracts attention and in words that are understood."

Several media of communication are discussed. The house organ is a good one, but: "A company publication edited for the staff is useless and fruitless unless it takes advantage of every issue to describe or explain some phase of company policy and practice which has the good of the staff at heart. Every article should have a firm skeleton of facts, padded with human interest and dressed in attractive word garments."

A handbook for newcomers should

have the theme: "This is a good place to work." Its statements should be "accurate, unexaggerated and inspirational" and the booklet as a whole must be friendly.

Letters to employees, meetings, tours, movies, radio, bulletin board posters, suggestion systems, contests, and newpaper advertising are among the other means of reaching the employees suggested by the Royal's article.

In conclusion it says:

"There are at least 10 critics of private enterprise for every defender qualified to trade intellectual wallops. One objective of informing employees is to put them in preferred position to meet these people on even terms. The method found most effectual is to give workers understanding of the firm's importance in life—in community life and in their own lives—and to interpret what you do in terms of the workers' welfare."

# Bank Publishes News Letter for Servicemen

THE TARRYTOWN (New York) NA-TIONAL BANK & TRUST COMPANY is publishing a monthly newsletter for the servicemen of its community.

Called The Tarrytowns Newsette, the paper is a diary of Tarrytown happenings, reported chronologically—just the sort of news the boys want.

A note, signed by President Edward Hickey, was attached to Vol. I, No. 1, dated July 1. It said:

Hello!

What's the reason for this? Well, quite a few of the boys in the service have written in to the bank of late—some on bank matters, some not—but all evidence a hunger for re-



The copper cross held by Jinx Falkenburg, of radio, newspaper and television fame, is one of the 75,000 specimens of currency displayed at The Chase National Bank's money exhibit in New York. Vernon L. Brown, curator of the collection, explains to Jinx during a telecast that, in the Belgian Congo, the cross is exchangeable for a wife

ceiving mail. The signer of this did the best he could dictating personal replies—but it got to be quite a job. Finally, he hit on the idea of a news letter to everyone, giving the local news in capsule fashion. He put it up to the directors and our advisory board and they said: "Hell with the expense—go ahead." Hence, this, we hope, "news letter!" Tell us what you think of it. We plan to send it out monthly. If you meet any buddies from our vicinity, tell them to drop us a line and we'll add them to the list.

We pride ourselves on being a "Neighborly Bank" and we hope this helps to tie you to your home comunities.

Good luck!

# Publicizing a Name Change

Security Bank is the new name of the Security Bank & Trust Company of Madison, South Dakota.

To publicize the change the bank (CONTINUED ON PAGE 101)

# The Tarrytowns NEWSETTE

PUBLISHED FOR THE SERVICEMEN BY THE TARRYTOWN NATIONAL BANK & TRUST CO.

\*\*Directors\*\*\*

Opinions\*\*

Opinions\*

Opinions\*\*

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News from home for the boys who are away

VOLUME I - NO. 1

JULY, 1951

June was definitely, in the words of Arthur Godfrey, a "pew" month. It rained right through until July 5th or 6th when the sun came out in all its fury and since then it has been one hot day after another. All this weather has been grand for gardens around Tarrytown and the roses and other shrubbery are blooming like never before.

Following are a few notes from the Tarrytowns' diary of happenings around town since June 29th.

It was announced today that final contracts for the new low rent public housing project has been signed and approved and work will start at once. The total cost of the derelopment is estimate at \$927,76.00. - The Chevrolat-Fisher Body plants are to be closed for one week starting August with because of the reduction of metals allocated to civilian production. - FRED MULECHIEN of Sorth Tarrytown has been appointed to West Point. Fred entered the Navy last July, a month before his libth birthday. -

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# The Outlook for Bank Earnings

JAMES W. WOOSTER, JR.

IF gross operating income were the only element in the bank earnings picture, the outlook would be rosy indeed. With income at a new high level, and with its continuance practically assured at an equal or higher rate for some distance ahead, the banking business might appear to be in a highly favorable position. Gross income is obviously important; it is the fuel that makes the wheels go 'round, but it is only the starting point in determining the net profitableness of the business. This latter consideration is, of course, the one with which bank management and bank owners are most concerned. It is not so much how many dollars banks take in as payment for services rendered. Rather, it is how many of those dollars remain after costs of operation have been met.

SALIENT fact in the outlook for bank earnings today is that both loan volume and interest rates have increased materially during the recent past. There is a lag between an increase in volume or in rate and the time when the result of these changes becomes evident in the income account. Therefore the full effect of these favorable developments has been only partly reflected in bank earnings reports, even those reports covering the first half of 1951. Should the prevailing trends of the past year in respect to volume and rates flatten out (a possibility of which there is some evidence in the past month or two) reported bank income would still tend to rise for some time until it gave recognition to current loan and rate levels.

# Loans, Interest Rates

Just how great has the increase been in loans and in rates of interest? A few basic statistics will serve to make an answer to this question quite specific. If we go back a little more than 10 years, to the last pre-World War II year of 1939, we find that at the end of that year total loans of all insured commercial banks in the United States were \$16,866,000,000. The two largest classes of loans were commercial loans, which amounted to \$5.835 .-000,000, and real estate loans which were \$4,137,000,000. The war years brought an expansion of about 50 percent in the loan total of insured commercial banks. On December 31. 1945, total loans were \$25,765,000.-000, including commercial loans of \$9,461,000,000 (75 percent above prewar) and real estate loans of \$4,677,000,000 (12 percent above prewar, reflecting residential building restrictions during the war years). Consumer loans on December 31, 1945, were \$1,351,000,000 or about 5 percent of total loans.

Between the end of 1945 and the end of 1950 total loans of commercial banks continued to expand, and at an accelerated rate in comparison with the war and prewar years. During this 5-year span the loan total doubled, from \$25,765,000,000 to \$51,723,000,000. The commercial loan component more than doubled, from \$9,461,000,000 to \$21,776,000,-000. Commercial loans alone at the close of 1950 were greater than total loans for each of the years 1934-1942. In the five years following 1945, real estate loans, one of the more profitable types of loan from the standpoint of gross rate of return, rose from \$4,677,000,000 to \$13,389,000,000, a three-fold increase. Consumer loans, which also carry comparatively high interest rates, amounted to \$7,628,000,000 at the close of 1950, more than five times their size five years previous.

Of the increase of about \$26-billion of total loans between the close

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Banking.

of 1945 and the close of 1950, more than \$9-billion took place during the year 1950. Thus far in 1951 there has been a flattening out in the loan volume curve. All weekly reporting member banks had total loans of \$31,398,000,000 in January of this year, and \$32,877,000,000 on June 27. In New York City, the 19 weekly reporting member banks had total loans of \$8,153,000,000 on July 26, 1950, \$9,768,000,000 in January 1951 and \$10,041,000,000 on July 25, 1951.

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The effect of this great growth in the volume of bank loans in recent years, and particularly in 1950, has been increased considerably insofar as bank income is concerned by the upward trend of interest rates. One of the most dramatic aspects of this interest rate increase has been the price decline below par for United States Government bonds. Of much more significance to banks has been the higher rate of interest which they have been able, quite properly and justifiably, to charge their loan customers, and the higher rate which they have been able to earn from their short-term investments.

# Short-Term Rates

As recently as 1950 the average prime commercial paper rate in New York City for four to six months' paper averaged 1.45 percent, whereas in the week ending June 30, 1951, it was 21/4 percent to 23/8 percent. Ninety-day bankers' acceptances of prime quality had an average yield of 1.15 percent in 1950, but by mid-1951 they were ½ percent higher, an increase of about 40 percent. Stock exchange call loan renewals rose from an average 1950 rate of 1.63 percent to 2 percent-21/2 percent at the end of June 1951. In the shortterm market for United States Government issues, yield advances have been equally striking; in fact, the changes mentioned above in open market money rates are largely a reflection of the adjustment of the open market to changed rates for short-term U. S. Treasury paper. In 1950 the average rate on three

months' bills was 1.218 percent. At the beginning of August 1951 it was 1.50 percent to 1.63 percent. Nine to 12 month issues, which averaged a yield basis of 1.26 percent in 1950, yielded a full ½ percent more by mid-1951. Bank rates on business loans in 19 selected cities averaged 2.1 percent in 1947, but little changed from the 1941 average of 2.0 percent. By 1950 the average had risen to 2.7 percent, in March of 1951 it was 3.02 percent, and in June, 3.07 percent.

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It has been mentioned that the very sizable increase in loans of the past year or so, and the steep rise in interest rates, particularly that portion of the interest rate spectrum which most influences bank income, namely short-term rates for loans and investments, have not yet shown their full effect on reported bank income. Their shadow, however, is quite evident and clearly discernable, in bank income reports for the past year or so, especially 1950.

For this latter year, all Federal Reserve member banks had "earnings," i. e., gross operating income, of \$3,265,000,000. The magnitude of this figure is more evident when it is recalled that in 1939 the corresponding figure was \$1,296,000,000, and as recently as 1945 it was \$2,-102,000,000. Last year's recordbreaking income came to the extent of about one-half from loans, slightly more than one-quarter from interest on United States Government bonds, and slightly less than one-quarter from all other sources. The rise in loan income during the past five years has been the primary factor behind the steady growth of bank earnings during this period. Income from loans in 1945 was \$588,000,000 for all Federal Reserve member banks, while in 1950 it was \$1,634,-000,000 and in 1951 it is sure to be higher. Income from loans in 1950 was greater than total bank income in each of the years 1932-1942 inclusive.

### Costs Up

When one considers the degree to which certain costs have already risen, and the inevitability of their continued rise, the outlook for the net earnings of banks becomes rather sober. Salaries and wages of all Federal Reserve member banks in 1950 were \$1-billion, or practically identical with all expenses in the

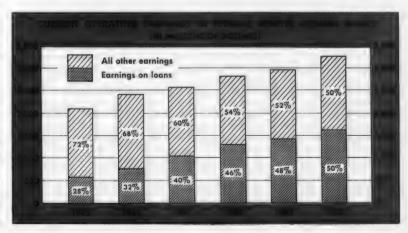
vear 1942. Income taxes between 1942 and 1950 rose from \$68,000,000 to \$369,000,000 and in 1951 they are sure to be higher. Losses on loans and investments are often not evident at the time of their inception, and it is not practical to determine statistically the amount of loss accruing in any given year, and hence a proper charge against that year's reported earnings. With loan volume at a new high it should, however, be evident that potential losses are at least greater than they were five years ago when loans were only half as large.

If bank operating expenses are considered aside from the other two just mentioned factors of taxes and losses, bank management has cause for some degree of satisfaction. Bank salaries and wages, although they have risen from \$388,000,000 in 1939 to \$1-billion in 1950, have not changed greatly in their relationship to gross income or to loan income. In 1939 salaries and wages paid were 30 percent of gross income and 69 percent of loan income. In 1945 the corresponding figures were 27.6 percent and 97 percent. The 1945 percentage of loan income represented by salaries had risen chiefly because income from investments in that year was twice as large, in relation to loan income, than it was in 1939. In 1950, salaries and wages of all Federal Reserve member banks, although a new high dollar total, were 30.6 percent of gross income and 61 percent of loan income, or not far from their 1939 relationship. Not only salaries, but all operating expenses of member banks, have been kept under good control during the past inflationary decade. Such expenses, which do not include income taxes or net losses and charge offs, in 1939 were 69 percent of gross income. In 1942 the figure was 68 percent, in 1945 it was 60 percent and in 1950 it was 62 percent

When one turns to income taxes the picture is quite different. The year 1942 is the first in which taxes on income are reported separately for all member banks. In that year income taxes of \$68,000,000 were 4.6 percent of gross income and 17.7 percent of net profits after all expenses, taxes, losses and charge-offs. Incidentally, income taxes were onethird of cash dividends declared. By 1945 income taxes were \$270,000,000, equal to 12.8 percent of gross income, 35.6 percent of net profits and 110 percent of dividends. Wartime income tax rates, of course, were then in effect. In the year 1950 income taxes took 111/2 percent of gross income and were equivalent to 47 percent of net profits and 107 percent of cash dividends declared.

Although the income tax burden of banks has represented a heavy drain on profits during and since World War II, it is obvious that the tax burden of banks in 1951, and thereafter for an indeterminate period, will be even heavier. The 1950 income tax bill of all member banks was 32 percent of their profits before income taxes. The applicable nominal rate of Federal income taxes to corporations, including banks, was 47 percent. Due to certain exemptions available to banks, the average rate of taxes paid in 1950 was 15 percentage points below the nominal rate. In 1951 not only will rates be higher, but exemptions will be fewer. particularly due to the shrinking supply of partially tax free Treasury bonds as maturities and redemptions

(CONTINUED ON PAGE 150)



# The Head of the Fed

Mong the guests of honor expected at the Chicago Convention late this month are Secretary Snyder and Governor Martin, the two persons most closely identified with the prevailing monetary peace on the Potomac.

Bankers throughout the country are well acquainted with John Snyder. They know Bill Martin, too, by reputation, for he is no newcomer in the financial field, but he is relatively new in the key banking position he now occupies.

He has been there long enough, however, to show the direction of his thinking.

Bankers may agree or not but they can be sure of one thing—he has thought carefully before he speaks or acts.

The habit of thinking before acting is an old one with William McChesney Martin and he still recommends it for most of life's circumstances.

There are exceptions. One of them was made clear to Bill by a thoughtful top sergeant at Camp Appearing as panels with this article are quotations reflecting Governor Martin's views on important current questions.

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Croft, South Carolina, in 1943. The sergeant said, in effect, that there might possibly be occasions when the rule is reversed, such as when a private in this such-and-such army is earnestly and repeatedly requested by his sergeant to turn, let's say, right or left, as the case might be. This was a time, in the opinion of the sergeant, when you acted first and thought afterwards. These might not have been the exact words but the idea made a deep impression on Private Martin. Many an evening alone behind the barracks he practiced the art of acting and thinking about it later if he still felt like it.

Back of the barracks, or guiding the world's most important central bank, Bill Martin is basically a student. If he does not feel satisfied that he knows about a thing he will not talk about it and this saves him and anyone he is dealing with a lot of time and confusion.

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William McChesney Martin was born in St. Louis on December 17, 1906. He attended the public schools in St. Louis, including the Soldan High School. He was also a pupil at one time of the St. Louis Country Day School.

McChesney is a family name from the forebears in Kentucky. One uncle, Samuel McChesney, ran a steamboat line from St. Louis to New Orleans for many years.

He graduated from Yale in 1928 and immediately afterward went to work as a state bank examiner, later becoming an examiner for the Federal Reserve Bank of the Eighth District, of which his father was then chief executive. The elder William McChesney Martin was the head of the St. Louis Federal Reserve Bank from the time it was first organized, and even before the bank had a house he carried the papers founding the bank around in a valise. Altogether the elder Martin was head of that bank for 27 years.

Working for the Federal Reserve Bank of St. Louis was pleasant enough but Bill's father objected with paternal firmness to his being in a bank where his father was president, so he had to go out and get himself a job. He went to work in the office of A. G. Edwards & Sons, a brokerage and investment banking firm. At first he was head of their statistical department and in 1931 became a partner for the purpose of operating their membership on the floor of the New York Stock Exchange.

He was 25 years old at the time and was a member of the Stock Exchange from 1931 to 1938, becoming a governor of the Exchange

# The Voluntary Credit Restraint Program

"T Here has been a national committee set up on a purely voluntary basis. They have consulted with the Attorney General and with the Federal Trade Commission, and they have the support of those bodies, and we have a roster of people in the financial and business community that are actively working on it, that we think is quite impressive, and which I have submitted as a part of this record, and they have been laboring to endeavor to codify, as far as possible, the types of lending, and to educate both the borrower and the lender.

"I went out to the Pacific Coast for a weekend a few weeks ago and was very much impressed with the wholehearted way in which the program is being supported out there. I was in Cleveland recently, and was very much impressed with the way the people in Cleveland had taken hold of it, and I am hopeful that we can see some very real results from it.

"Now, it is too early yet to make any judgment on it, but there are already some indications that a constructive attitude has been taken by all people, and that it is getting the support of the financial and business community in the proper way. I think that is a constructive development, and one that all of us ought to support in every way that we can."—From hearings before the Committee on Banking and Currency, United States Senate, on Defense Production Act Amendments of 1951, May 11, 1951.

in 1935. He became chairman of the Board of Governors in 1938 and after two months was elected president of the Exchange, serving in that capacity until April 1941, when he was drafted into the U. S. Army as a private. Ten extraordinary years are wrapped up in that paragraph.

During this period he engaged in a variety of other activities, mostly aimed at the target—more knowledge of his chosen field, finance. In 1932 he became co-founder of the Economic Forum. The author of the leading article of the first issue was Lord Keynes and the article received considerable comment in the New York Times and Time Magazine. After a short time the Economic Forum ceased publication, but it had attracted a distinguished group of contributors before its demise.

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In 1931 he entered the Columbia Graduate School of Business as a student, partly in the day classes and partly at night and kept this up for 6 or 7 years. He was a member of the seminar of H. Parker Willis, closely identified with the founding of the Federal Reserve System, and studied foreign central banking systems under Benjamin Beckhart. His master's thesis dealt with Canada's central banking system.

Forever inquiring and looking for information, he also attended the New School for Social Research and

### Consumer Credit Controls

Prior to the passage of the new Defense Production Act, Mr. Martin urged Congress not to change the provisions for consumer credit control. He said that to ease consumer credit curbs now would be to "announce, in effect, that we believe the inflationary danger is no longer present. . . .

"Upward pressure on prices, even though abated at present, threatens to reemerge irrespective of Korean developments. . . .

"In a period of general inflation the task calls for doing what we can to limit the availability of credit. . . .

The Board Chairman said that as long as credit curbs are a means of restraining the over-expansion of credit, "we would strongly urge the elimination of the proposed statutory limitations, regardless of where the administrative responsibility is lodged. . . ."



William McChesney Martin, Jr.

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the New York University School of Finance, mostly at night. "I was still unmarried at that time," he explained, "A schedule like that would not fit me very well today."

His friends in Wall Street still remember him for the amount of legwork he did getting business for his firm. "I had to do it or we wouldn't have any business," he said. "Our firm were relative strangers at that time."

For three years before he became chairman of the Board of Governors of the Exchange, he was chairman of a committee on the constitution and served as a member of the committee of customers' men and the committee on quotations and commissions. Later he was in charge of wire services, the job being to decide where to put in tickers or take them out.

One question that has always interested a great many people has been the sequence of circumstances whereby Bill Martin became president of the New York Stock Exchange at the age of 31. He was a member of the Board at a time when the Richard Whitney trouble occurred and he was outspokenly critical of Whitney's policies. As this development unfolded it became necessary for the Exchange to look

around for new blood on the board of governors and in the changeover Martin woke up one morning and found himself virtually the senior member of the new board. This put him in direct line for the position of president because confidence in the old group and their vested interest and been badly damaged.

When the war came along Bill Martin was 34. The draft age was 35. "The public relations problem, as far as I was concerned, was very clear," he said. "Because of the prominence of the position and the publicity it attracted, it seemed essential for me not to expect any favors, as far as the Army was concerned. Many friends tried to get me deferred or placed in some special spot but I've never had any doubts about the wisdom of my decision to go into the Army in the regular way as a private. It did not make any sense for the country to have a draft law and then thwart it by letting favored individuals get around it some way.

"My number was one of the first drawn. We went down to Camp Dix in New Jersey and then Camp Croft in Spartanburg, S. C. I chose the infantry because I thought marching was simple and even I would be good at that. This proved wrong



One of the impressive sections of the Federal Reserve Board's home in Washington is the library for use of the governors. Above, Governor M. S. Szymczak in the Board members' library

because when the sergeant would say 'right face' I had a tendency to turn left, or try to figure out whether he meant his right or my right. Also I was a little slow in executing the various orders because I engaged in the luxury of a little split-second of thinking about it."

Bill spent 16 weeks at the bus-

iness of acquiring a sense of discipline. He had been at Camp Croft only a few weeks when he obtained a weekend leave and went to the Cleveland Hotel in Spartansburg. He engaged a room with white sheets and a good reading lamp and looked forward to a few hours of real privacy, only to find that one thing a private didn't have was

privacy. He crossed the street without his hat, was promptly picked up by one of the military police, and sent back to camp immediately, losing his weekend leave.

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From Croft, in the fall of 1941, he went to the Army College in Washington, still a private. There he was promoted to corporal and then sergeant. He had charge of a platoon of 12 men cleaning up the quarters and anything else that needed cleaning up, which was plenty. "This was one of the toughest executive jobs a man can have," he said. "It puts you to tests of alertness and decision that I've never had equalled since."

He was attached to G-2 at the College and at one time went out for a month on maneuvers with the Second Armored Division under General Patton. He became a first lieutenant in February of 1942.

As a major, in 1943, he went with General James H. Burns in connection with lend-lease. took the air transport route. through Florida, Natal, Ascension Island, Khartum, Cairo, Teheran, and Moscow. They were in Russia three months and attended many dinners, including one memorable occasion at the Kremlin when Stalin entertained magnificently for Joe Davies, who was there on his, shall we say famous mission. All members of the Politburo were in evidence and the affair lasted from seven until almost midnight.

Bill Martin traveled with General

Below, left, the switching center in the Federal Reserve building, through which are handled communications to and from the System's various districts. Below, right, Miss Helen Lupton and Miss Helen Grunwell, the latter chief draftsman for the FRB, in the room where charts are prepared for the monthly Bulletin and other FRB publications





Burns and Major General Faymonville, now retired, who was then head of lend-lease. They took trips to battlefields and on one occasion, through field glasses, they watched demonstrations of Russian tanks and artillery. "Now we will show you how we take that hill," a Russian officer would say, and the orders would be put through and the hill taken.

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"I was inclined to like the average Russian soldier," said Bill, "but the general atmosphere surrounding our trip was never friendly. NKVD men were present and watched every move."

At the end of the war Martin was assistant to General Burns and later to General John Y. York on the Munitions Assignments Board and the President's Soviet Protocol Committee. Harry Hopkins was chairman of this board. This was the top military body dealing with lend-lease.

After his discharge from the Army in 1945 he became chief officer of the Export-Import Bank and later president and finally chairman and president at the same time, early in 1946. He was a member of the National Advisory Council, set up under the Bretton Woods Agreements Act, and has been a member of this council ever since, in one capacity or another.

He went to Savannah with then Secretary of the Treasury Vinson, and while there he opposed Lord Keynes' ideas about the way the Bank and Fund should be set up. Keynes wanted management to have more authority than the members of

(CONTINUED ON PAGE 149)

# The Treasury-Federal Reserve Relationship

NDER the law the Treasury has the responsibility for management of the debt. The Federal Reserve is a central bank. I think the relationship of the central bank to the Treasury is a very difficult and delicate relationship that has developed through the years in different ways in different countries, but in this country it is clear to me that it was intended the Federal Reserve should be independent and not responsible directly to the executive branch of the Government but should be accountable to the Congress of the United States and, in my judgment, should act as a trustee. I like to think of a trustee relationship to see that the Treasury does not engage in the natural temptation to depreciate the currency or engage in practices which would harm the general public welfare.

At the same time this concept of independence is one that to me is very much like one's credit standing. You have to earn it and you have to be careful about not abusing it. If you have a credit standing in the community that permits you to go to the bank and get a line of credit of a million dollars and you are not able to support that million dollars, a lifetime of building up your credit standing can be dissipated in 30 days.

"The relationship here, I think, particularly in the period in which we are operating, is one where the Treasury and the Federal Reserve must be partners in promoting the welfare of the Government securities market which makes it possible for the Government to finance its operations and to conduct sound financing.

"I don't think there is ever a time when the Treasury should completely dominate the Federal Reserve; I don't think that is the correct relationship.

"I had the privilege of having several long discussions with Senator Glass personally about this matter and I think I know something of his thinking."

Senator Glass . . . was anxious to have the Comptroller of the Currency and the Secretary of the Treasury off the Federal Reserve Board. But I remember distinctly-and I have gone back through my notes-I took a course in banking at Columbia in the graduate school and worked closely with H. Parker Willis when he was consultant to Senator Glass for the Banking and Currency Committee, and it came up on several occasions that the question which you are raising was raised with Senator Glass. He said to me personally, and I know that I am not imagining this because I have some notes on this, that if two wars occurred in a very short space of time he didn't know what would happen.

"I think the situation we are in today is tantamount to that. We have had one world war and we are in the midst of a present undeclared war. It would be easier in many respects if we had a declared war, but to me it amounts to almost the same thing.

"But I can see no way of operating the Federal Reserve and the Treasury by trying to define specifically what the powers of each would be.

"Now, if I may speak on the point for a minute, because I have thought about it a lot, the open-market operations of the Federal Reserve grew like Topsy. I had the pleasure of discussing the matter with Parker Gilbert, who had been Agent General of Reparations and who, when he came to the United States Treasury, was very much surprised to find that the open-market operations of the Federal Reserve which were just beginning to blossom actually affected the management of the Federal debt. It was an experience that startled him very much and he was quite upset about it for a while.

"Now, the size of the debt since then has grown. I am not going to talk on that point because you gentlemen know as much about it as I do. It has grown a great deal, but actually the Treasury is in a position today, through its trust funds, to engage in open market operations on its own account. In fact in this recent period of disagreement between the Treasury and Federal Reserve, the Treasury was actually buying for the postal-savings account in a way that seems to me to be exactly the same as open market operations.

"I merely cite that as how the two institutions have had a parallel growth and I would like simply to say to this committee, which has done a great deal of thinking on it, that I sincerely believe we are in a period of readjustment in our thinking on money and banking and—I hate to use this phrase, because it is a hackneyed one, but I have used it repeatedly—we may be in a type of money revolution.

"But I don't see any way that we can move forward, regardless of how the arrangements that currently exist were arrived at, to refinance in the balance of this year \$39,000,000,000 in addition to some \$13,000,000,000 of bills, plus any new money demands that may be faced by the Treasury—I don't see how we can move forward to face that sort of a situation unless the Treasury and the Federal Reserve are working hand in glove."



WIDE WORL

Sherman tanks and other supplies at an East Coast port ready for shipment to friendly nations

### HERBERT BRATTER

WASHINGTON or vears Britain has deplored and resisted "unrequited exports," meaning the goods foreigners take away when they spend bank accounts which they have built up in London. Our own unrequited exports since lend-lease days are now approaching the \$100billion mark. Apart from nobler motives, the lend-and-give programs have had the support of the majority of business, labor and banking in their supposed self-interest. Now, after a decade, comes the Chamber of Commerce with an analysis to show that all this constitutes a vast depletion of our resources, the real wealth without which the U.S.A. would be a poorhouse. The Chamber would now have the large export surpluses which our gifts to others represent requited by imports of strategic and essential raw products. But it refrains from saving that our snowballing foreign-aid programs should be stopped until such desideratum is assured.

The congressional tax committees seeking new revenues have been unable to find the money for this year's vast economic-military foreign-aid program. Yet Secretary of State Dean Acheson informed the Senate that the proposed \$8½-billion, plus another \$1-billion for the Eximbank, are only an instalment on a program that may require in the next three years alone \$25-billion.

The secretary "hopes" that there will be an end to all this. But he hoped the same way when he testified on the Bretton Woods program, the British loan and the ERP. Reviewing this, the National City bank of New York concludes that it is "time to take stock" of where we are headed. It is not hard to sell the public on arming our allies. Yet even now American weapons given to Nationalist China in recent years are killing Americans in Korea. Congress seems more interested in the bureaucratic reorganization of the

machinery of giving than in the justification and safeguarding of the worldwide giving program.

# BRITAIN'S BAFFLING BATTLE

If Britain doesn't meet the first loan payment due December 31 it won't surprise those who thought that the contract's escape clauses were put there to be used. Certainly the drift of British news foreshadows trouble. Despite the growth in London's gold and dollar reserves pertaining to the whole sterling area, following devaluation and Korea, and despite U.S. arms and other aid now. London reportedly feels unable to assume the scheduled loan payment. Chancellor Gaitskell predicts depletion of the reserves by yearend. ERP has only another year to go; but The Economist says "the policy is hardly yet in mid-course." A paradox, a paradox; a most ingenious paradox. When Foreign Minister Morrison arrives, some think, he'll have loans on his mind. London's short-term debts, the "sterling balances," have been growing again, threatening extended trade controls and renewed troubles. But India, for one, having struggled so hard for the right to spend its sterling, seems determined not to be caught a second time. The Union Jack and the £ sign are still in retreat from Hong Kong to Abadan and Suez and it has come to this: that Averell Harriman is the saviour.

# WORLD BANKING MORE VENTURESOME

Both the World Bank and Export-Import Bank are flirting with international grants. Eximbank is not only the chosen instrument for handling ECA loans as passive agent but has now been put down for loans of its own funds, as well, for ECA ends. ECA Chief Foster. following the Bell Mission in Manila. gave the Filipinos long-range promises of dollar aid: promises which may prove beyond his capacity to deliver. Foster unloosed a ton of Texas bricks when he explained ECA's aid plans for Asia to Chairman Tom Connally's Foreign Relations Committee. Connally hotly accused ECA of trying to cover the earth with dollars without a thought as to whence the money is to come. "The Senate Finance Committee is sitting down the hall right now." said the caustic chairman. "trying to figure out ways of taking more money from the taxpayers." Eximbank's latest report shows China in default on interest and principal. Washington still talks of the miraculous speed with which Australiabacked by Britain's representatives -got a World Bank loan in just a few days, without a mission or anything; and of that Bank's balance-of-payments loan to South Africa.

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### PRIVATE INVESTMENTS

Despite the obvious risks and in some cases because of them, private capital shows signs of moving about the world. The Japanese peace treaty is stimulating U.S. investment in Japan. A group of businessmen, including Henry Ford II, Ernest C. Kanzler and Julius Fleischmann, has bought control of the International Bank of Washington (not the World Bank), with plans to direct it into merchant banking here and abroad. Chase National Bank and the International

Basic Economy Corporation, along with minority Brazilian interests. are introducing investment banking in Brazil. An American syndicate has bought an 800,000-acre Texas Panhandle holding from Scotch interests. The Swiss Bank Corporation has launched a Canadian investment subsidiary in Montreal, following similar action by Credit Suisse in June. Courtaulds, Ltd., of London is building a rayon plant in the U.S.A. Although July 31 was the deadline for the foreigninvestment census of the Commerce Department, reports from Americans with such "direct" holdings are still being accepted. Credit applications from foreign borrowers fall within the Voluntary Credit Restraint Program.

### FOREIGN MONIES

Ivar Rooth, former governor of the Swedish Riksbank, has taken over as World Fund's managing director. The IMF's directors have a staff report on what steps would be necessary to enforce the Fund's policies opposing premium - price gold sales, but nothing is apt to be done on the matter. Uruguay is adding another exchange rate to its multiple system. Peru plans a new mint for gold coins. Colombia is selling gold coins. The Treasury wants Congress to abolish Treasury Circular No. 1, which is supposed to give the values of foreign monies but doesn't, thereby causing customhouse headaches. Mutilation of Canadian coins which circulate along our border is now a crime in the U.S. under the law of July 16. In Washington conversational repercussions of the Economic Commission for Europe's urging of upward revaluation of European currencies



ASSOCIATED NEWSPAPERS

-tantamount to an external devaluation of the dollar-are fading away.

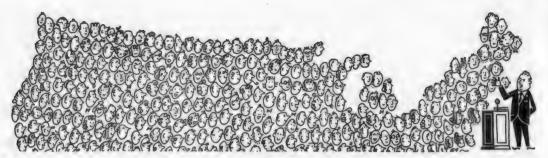
## JAPANESE TRENDS

A Japanese peace treaty restoring full sovereignty to the Mikado's realm was agreed upon by the U.S. and Britain in July, its publication being accompanied by a security pact among the U.S., Australia and New Zealand. Not everyone likes the treaty. Not the Russians, of course. India has its own ideas. And the Philippines want Japanese reparations, notwithstanding that the U.S. has been making good the Philippine war damage and helping the Philippines otherwise. . . . A Japanese Government Overseas Agency opens in Washington in late August. . . . A new foreign investment law is in effect. . . . Japanese are concerned over their mounting population under U.S. medical guidance. And London is concerned lest the industrious Nipponese, a sixth more numerous than prewar, undermine Britain's world trade when we let them go out on their own. . . . The treaty permits Japanese rearmament. . . . Jap steelmakers are in Indo-China trying to salvage scrap from wartime-sunk ships, while Americans are surveying battlefield scrap in Korea, our next reconstruction baby.

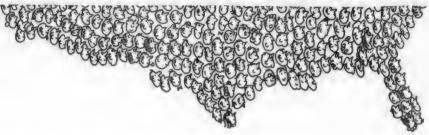
# SOUTHEAST ASIA

A Chinese saying has it that "a picture is worth ten thousand words." But it would take more words than that to describe the mixed picture presented by Asia. Former Ambassador Bullitt describes Hong Kong as an active center for smuggling as well as open trade with Red Cathay. Capital started flowing out of Hong Kong when the safety of that island began to be threatened. Now it is flowing because of the pinch of overseas boycotting of Hong Kong's transit traffic. Mostly this is Chinese capital. Senator Herbert R. O'Conor charges that ships flying UK and Panamanian flags have been bypassing Hong Kong and delivering war goods upriver at Canton. American insurance firms are helping the trade, he also charges. At Shanghai. U.S. oil properties worth millions have been seized by the Reds. Indonesian hostility to foreign-controlled investments extends to the

(CONTINUED ON PAGE 133)



# THE FUTURE OF THE FAMILY DOLLAR



# BANKING'S National Finance Forum

TAXES

Why do gifts save taxes?



Answered by J. K. LASSER, tax expert and author of popular books on taxes.

As a general rule, gifts you make during your lifetime do save tax. There are four reasons for this:

 The Federal gift tax rates are lower than the Federal estate tax rates.

(2) By making gifts, you divide the taxation of your property between estate tax and gift tax. This is economical, because each tax—the gift tax and the estate tax—has its own exemption and its own rising scale of rates. It keeps the property out of the high brackets.

(3) Any gift tax you pay is money that escapes being taxed. Any estate tax that your estate pays is taxed as part of your estate. Therefore it's better to pay a gift tax than an estate tax. This may

sound like a lot of nonsense, but in it lies an important tax advantage in making lifetime gifts. Suppose a man has \$500,000. If he keeps it all till he dies, the whole \$500,000 will be taxed-even though an estate tax of well over \$100,000 may be paid by his estate. His heirs will get less than \$400,000, though \$500,000 is taxed. Now if that man had given his heirs \$400,000 before he died. there would have been a gift tax on only the \$400,000. So even if the gift tax rates were as high as the estate tax rates, which they aren't, it would be cheaper to pay gift tax.

(4) Sometimes a gift saves income tax. For instance, Mr. A has been helping out his married daughter. Her husband doesn't earn very much, and Mr. A feels that she desperately needs the \$100 a month that he sends her. That \$100 per month, of course, is not an income tax deduction to Mr. A. But he can, in effect, get a deduction for it by giv-

The Forum welcomes questions from readers in the general categories covered by this department. Send your queries to Banking, 12 East 36th Street, New York 16, New York.

ing her stocks and bonds that yield \$100 per month. After making the gift, his taxed income is \$1,200 lower each year. And he might save \$500 or \$600 a year in income tax, if he has a large income. This income tax saving is in addition to the tax saved by paying gift tax instead of estate tax on the property given away.

### PERSONAL FINANCES

What is the best way for a husband and wife to handle their money when both work?



Answered by MABEL F. THOMPSON, assistant secretary, Union Dime Savings Bank, New York, N. Y.

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In these days of heavy taxes and high living costs, many young people cannot marry unless they both work and pool their incomes. Whenever possible, however, we believe that the young married couples should gear actual living expenses to the husband's income.

Then when the time comes that they want a family and the wife gives up her job, there are fewer financial adjustments to be made. When living expenses are geared to two incomes, it is not easy to make the adjustments that would be necessary with a new budget based on one income.

The working wife has certain business expenses which she usually prefers to take care of out of her income. These would include carfare or commutation, luncheons and business clothes—which cost more than the clothes she would buy if she were at home. In some cases, too, where the income is not large, any extras—perhaps a vacation trip or an occasional theatre, concert or an occasional theatre, concert or dinner out—which would not be possible under a restricted budget, would be paid for out of her earnings.

The greater part of her salary, however, she saves. Frequently savings are put into a joint savings account of husband and wife, for the wise couple think of their money as "our money," and not as "my money" and "your money." Their savings give them a backlog for emergencies as well as a fund for special purposes such as household furnishings or a home of their own.

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For the not-so-young couple who have no family or whose children are grown, earnings in all probability are pooled, especially where both incomes are needed to maintain the standard of living they have set for themselves. Otherwise the wife's earnings may be used, as with the young couple, for extras, for saving for future spending, for investment, and to supplement retirement income.

### INSURANCE

Should life insurance come before fire, health, or accident insurance?



Answered by Marion Stevens Eberly, director, Women's Division, Institute of Life Insurance, New York, N. Y.

Insurance against the major hazards of living deserves a place near the top of the family

budget. Certainly it is desirable that every family protect itself against such risks as fire and accident and the cost of unexpected illness and hospitalization. But if the family lacks the means to support a fully rounded protection program, and it becomes necessary to choose which form of insurance to carry, then decision should be based on the nature of the risk and the extent of its possible impact on the family.

Are there people dependent upon your earnings who would be left without income if yours were suddenly cut off? In such case life insurance deserves first consideration. The risk of premature death, measured by the financial loss it would bring to the family, may be much more catastrophic in its effect than other risks covered by other forms of insurance.

A protracted illness may strain the family's finances and a loss through fire be difficult to surmount, but such losses are measurably less than the loss of the family's means of support through the death of the husband and father. That loss strikes at the roots of the family. Life insurance can help a family face this loss by replacing in part the earnings of the breadwinner and providing the funds to hold the family together until some other means of support can be established.

## WILLS, TRUSTS, ESTATES

Do I need to have a lot of money in order to start a trust fund?



Answered by
NANCYEB.
STAUB, assistant trust officer, Morristown
Trust Company,
Morristown,
N. J.

STOCKS, bonds, and other types of assets, as well as cash, may be used. The amount required for creating a trust fund varies with different banks. Most banks have a minimum for living trusts. Large banks are apt to require larger amounts than smaller banks. Many banks will accept trusts for as little as \$25,000.

While it is possible to do a better investment job with a larger

amount of money, particularly from the standpoint of diversification, banks recognize the need for trust service by the person with small means. Many banks have established common trust funds in an effort to meet that need and to secure diversification and a better return for the customer.

### INVESTMENTS

Do you think bank stocks are a good long-term investment?



Answered by JAMES W. WOOSTER, JR., financial associate, The Commonwealth Fund, New York, N.Y.

Banking is an essential industry. Its growth and importance have in general paralleled the growth and development of our country as a whole. Although the banking business is not without risk, nonetheless many leading banking institutions have compiled enviable records of successful operation over long periods of years through wars and depressions.

Because of the comparative stability of the banking business and the traditional conservatism of the banking fraternity, many banks have extended records for unbroken dividend payments. Since normally only a modest proportion of earnings is disbursed as dividends, the balance of income is plowed back into the business, building up stockholders' equity and providing a base for greater earnings in the future. This imparts a measure of "growth" to bank stocks as a whole.

Due to large increases in U. S. Government bond holdings, which have characterized the asset position of banks in recent years, the average quality of the assets of the banking system has been strengthened and the relationship between so-called "risk assets" and capital funds has been conservative. The price of credit, which is the commodity in which banks deal, has been kept artificially low for many vears through action of the Federal Government. Recent indications that the rental value of money may be more responsive to the forces of

supply and demand is a generally favorable factor in the banking business. The suitability of certain bank stocks for conservative investment purposes has been recognized for a long time through the permission granted in certain states for the investment of savings deposits and trust funds in these stocks.

At the present time the stocks of representative banks in the large metropolitan centers are selling on the average at a discount of from 15 percent to 25 percent from their conservatively stated asset valuations. Yields vary considerably, but it is possible to obtain a return of from 41/2 percent to 5 percent on the shares of leading institutions. Bank stocks will probably not constitute dynamic investment media for the next several years, but they do appear to offer as a group sound long-term value combined with a satisfactory current rate of return. On this basis they would qualify for inclusion in any well diversified list of common stocks.

# OWNERSHIP OF REAL PROPERTY

Is rental property a good investment today? Which is better, residential or store property?



Answered by
MILES L. CoLEAN, building
adviser, House
Beautiful; Consultant to the
Twentieth Century-Fund.

Since the long prospect is for a still higher price level and lower value of the dollar, an investment in almost any well selected piece of real estate—farm or city—should provide a good chance for a capital gain. The danger, of course, is that unless the property has a satisfactory income, or can be advantageously sold rather quickly, accumulating taxes and interest will eat up a lot of the capital gain.

For a piece of income-producing property to be a satisfactory income, the rent should be sufficient to cover maintenance, charges on the debt, interest on the investment—after an allowance for vacancy. Idle property can be as risky to hold as unim-



proved property; and the smaller the property and the fewer the tenants, the more substantial should be the allowance for lost income due to vacancy, arrears, canceled leases, and so forth.

All in all, store property is likely to be more satisfactory than residential property, particularly if you can obtain long-term leases from substantial concerns. residential property, maintenance costs are higher in relation to gross income, and tenant relations problems are greater than with stores. Moreover, there is dat ole debbil, rent control, the threat of which still hangs over all residential rental property. Outside of New York, commercial property is not likely to be put under control.

# WOMEN'S FORUM IN SMALL TOWN DRAWS WELL

SHELBYVILLE, Illinois, is a town of 4,500 population, and the Shelby County State Bank wondered whether that was enough people to make a women's finance forum worthwhile. It decided to try the experiment.

The forum was held on four successive Thursday afternoons and attendance ranged from 85 to 109 persons.

"We have come to the conclusion," reports Cashier W. F. Aichele, "that the size of the town does not make much difference. We were greatly

pleased with the results and believe that any small town can derive much public relations benefit from this program."

## YOUR ESTATE

YOUR FAMILY AND YOUR ESTATE. By Gilbert T. Stephenson. Prentice-Hall, New York. 64 pp. \$1.25.

This little book by the retired Director of Trust Research at The Graduate School of Banking contains 150 questions and answers on estates.

A year ago Mr. Stephenson asked his wife and two sons to submit to him the questions about estates, trusts, trust companies, trust business and trust service which they would like him to answer. When, later, it was decided to publish the material, more questions were asked, with a view to helping other families; the result is this volume.

The queries cover a wide range of topics. Here are a few: "What is an estate?"; "Who is a fiduciary?"; "What is a living trust?"; "How small an estate will a trust institution accept?"; "Why should I make a will?"; "If I put my securities in trust will I lose all control of them?"

In conclusion Mr. Stephenson gives the reasons why he has placed his affairs in the hands of a trust company and why he advises the members of his family to do likewise.



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# The Cautious Consumer

Banking's Family Dollar readers may be interested in the results of a nationwide sample consumer survey conducted by the Survey Research Center of the University of Michigan in June among approximately 1,000 American families. Here is Center's report on the findings.

Por every two persons who consider the present a good time to buy consumer goods, there are five who think that it is a bad time to do so. In these attitudes and their spending-saving behavior, people are influenced primarily by the price increases of the past year. In addition, they now evaluate their financial situation in a rather cautious way and express uncertainty about their future.

It is well known that inflationary pressures resulting from consumer demand have been reduced considerably during the last few months. Yet in view of the forthcoming substantial increase in rearmament expenditures large scale inflation still threatens. Proposed tax increases will reduce but not eliminate the excess purchasing power of high incomes and liquid asset holdings. Therefore, the future course of prices depends to a large part on businessmen's and consumers' actions. Will they, in the next six months, buy in excess and in advance of their needs, or adopt a wait-and-see attitude and add to their savings?

The survey suggests some answers to this question. Since interviewing was done in June, the findings do not reflect two new developments, the cease fire negotiations in Korea and congressional discussions of relaxing price controls. The effects of these two developments may, however, tend to compensate each other. Furthermore, the underlying situation, our large-scale rearmament and the continuation of the Communist threat, has not changed.

At the beginning of this year two out of every three people believed that prices would go up during the next 12 months; in June the proportion dropped to two out of every five. At the same time, most people

reported that prices went up in their communities between January and June. In considering whether the present is a good or bad time to buy major consumer goods, people appear to be influenced more by past than by expected price increases. The threat of shortages likewise does not influence very many people; only one out of three believe that some things will be short in the stores in the next 12 months, and practically nobody thinks many things will be short.

At the same time, people are overwhelmingly in favor of price control. One out of six argues that it should be relaxed or abolished, one out of six has not made up his mind, a few want to keep it as it is, and the rest, the majority of people, desire to have stricter price control.

THAT most people do not consider future price increases a serious threat to the purchasing power of the dollar has been determined by numerous questions which were posed in the survey regarding U.S. Government Savings Bonds. A very substantial proportion think that people who bought War Bonds during the last war fared worse than those who bought common stock. Nevertheless, at present, as earlier in the year, Savings Bonds represent the favorite investment of the majority. People list many reasons why one should buy bonds: bonds are a safe way to save, bonds help defense, etc. Even to the leading question, "Do you see any reason why people should not buy bonds these days?" only one out of 10 answers in the affirmative, and only some of them explain their opinion by referring to inflationary price increases. Most people desire to save. The major reason why many are not doing so is that with current prices they "cannot afford to save."

There was some deterioration between January and June in people's financial position as they themselves evaluated it. The proportion which said in June that they were better off financially than at the beginning of the year was lower than at any time in the last few years. Similarly, the proportion which expects to make more money a year from now declined sharply from January to June and more people expressed uncertainty as to future earning rates.

In conclusion it may be said that at present the great majority of the American people view the inflationary threat in an eminently sound manner, without the nervous and dangerous reaction of trying to beat inflation by buying in advance of price increases.

These attitudes of the consumers are, of course, not the whole story. But the "sovereignty of the consumer," though far from complete, is not an idle phrase, and his power cannot be overlooked.





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# **GOVERNMENT BONDS**

# MURRAY OLYPHANT

ALTHOUGH the low point for market prices occurred in April, purchases of the restricted bonds by the Open Market Committee were only about one-third of the \$1,169,000,000 bought during March. Total acquisitions during April for Federal Reserve and Treasury investment accounts were \$389,000,000 as follows:

### (000,000 omitted)

21/2%	12/15/67/62	+	\$1	21/2%	3/15/70/65	+	\$ 70
21/2%	12/15/68/63	+	1	21/2%	3/15/71/66	+	41
21/2%	6/15/69/64	+	41	21/2%	6/15/72/67	_	2,877
21/2%	12/15/69/64	+	20	21/2%	12/15/72/67	_	3,026
Marke	table bonds					_	\$5,230
Nonma	arketable Inve	stn	nent	23/4 % 8	30/75	+	5,610

Net Change in Marketable Bonds

+ \$ 389

Furthermore, there were practically no purchases of the unrestricted bonds during April nor any further aid to the market from U. S. Treasury investment accounts. During May and June only \$252,000,000 of the "over 10 year" bonds were added to the Federal portfolio, so that by July 3 instead of owning over \$5,500,000,000 of the longest  $2\frac{1}{2}$  percent marketable bonds, the total had been reduced to around \$500,000,000. During July not only were no long bonds added to the Federal portfolio, but there was an increase of only \$79,000,000 in the total held. No better evidence than this is needed to prove that—for July—the market was taking care of itself.

# Why Did They Do It?

In the first week of July there was an unusual change in the maturity set-up of the Federal portfolio resulting in an increase in the 1- to 5-year category in \$1-billion, offset by an equivalent decrease in the over-10-year maturity. This was due to the exchange of  $2\frac{3}{4}$  percent nonmarketable bonds for  $1\frac{1}{2}$  percent marketable notes due April 1, 1956. In explanation, the Federal stated that the objective was to produce a better maturity balance in the portfolio. Anyhow, after the exchange about four-fifths of the "Fed" holdings matured in five years or less and only one-fifth in over five years, which may be orthodox for a central bank but is hardly "balance."

A more logical objective would seem to have been the desirability of actually getting a reasonable amount of the 5-year 1½ percent notes into the market. To July 1, less than \$500,000 had been exchanged by other holders of the 2¾ percent bonds. During July over \$1,000,000 more were similarly exchanged, so that on July 30 about \$1,001,800,000 were outstanding. So far the Federal has not made any of its notes available in the market, quoted around mid-August at about

 $98\frac{1}{4}$ - $\frac{3}{8}$ s and calculated to yield about 1.90 percent.

It is rumored that the Federal may make a further exchange, but we suspect not until after October 1, when the notes then received in exchange for the 2% percent bonds would be a new series due October 1 instead of April 1, 1956. However, should there be a demand in the market later on for a 5-year maturity, the "Fed" is now in shape to supply the notes.

Obviously the exchange results in an interest saving to the Treasury of 1½ percent on \$1-billion, but the saving is counteracted by the lower earnings of the Federal and the consequently lower final kick-back to the Treasury Department.

# A Noninflationary Three Months

Those who contended that releasing the Government bond market from artificial support at 100 should be effective in stopping the inflationary increase in the money supply must be getting a great deal of satisfaction from the very sharp changes in the monetary factors which the April-to-June quarter showed as compared with the January-to-March period. Remember that the alterations in the size of the Federal portfolio and in the total of member bank reserve balances are the important indices of changes in the supply of credit. Now take a look at what happened.

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	(000,000 omitted)			January-
		Apri	l-June	March
Fede	eral Reserve portfolio	+\$	64	+\$2,577
Tota	l Federal Reserve cre	dit +	157	+ 2,094
Mem	ber bank reserve bala	inces +	49	+ 1,967
Loar	is (weekly reporting b	anks) -1	,078 (note)	+ 2,303
Inve	stments (weekly re	eporting		
	banks)	+	128	-2,962
Tota	l deposits (weekly re	eporting		
	hamlan\		0.0	1 9 000

(Note: The total of business, real estate and consumer loans rose \$130,000,000, but loans to carry securities and to banks declined \$1,208,000)

After rising over \$2,500,000,000 in the first quarter of the year, the Federal Reserve portfolio increased only \$64,000,000 in the second quarter. Similarly, member bank reserve balances, which had increased nearly \$2-billion in the first three months of this year, gained only \$49,000,000 in the succeeding three months.

Once the shock of the market decline in March and early April had been absorbed, offerings of Government bonds were sharply reduced and the task of the Open Market Committee in maintaining an "orderly" market was greatly simplified. At the same time, the continued effect of Regulations W and X certainly slowed down the increase in consumer and real estate loans while the effectiveness of the Voluntary Credit

Restraint Program was increasingly apparent in the area of business loans.

Whatever the exact cause or causes, after three successive quarterly periods in which the monetary factors were of a highly inflationary character we have now had a 3-month period in which the money supply stopped increasing, which is quite definitely encouraging.

# To Call or Not to Call

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The Treasury passed up the call of nearly \$8-billion of 2 percent bonds for September 15 but called the \$755,000,000 of 3 percent bonds for that date. Both the size of the 2 percent bond issue and the difficulty of refunding at any worthwhile interest saving made the decision to let the bonds stay out for another six months quite understandable. The 3 percent bond issue, however, was partially tax exempt and the amount small enough to be easily handled.

In December two issues are callable, \$1,118,000,000 partially tax exempt 21/4 percent bonds and \$510,000,-000 fully taxable 2 percent bonds. It is pretty certain that the 21/4s will be called and refunded. The Treasury likes to get rid of the partially tax free issues. Whether the fully taxable 2 percent issues will be called or not would seem to depend on money market conditions in December and the size of the balance then in the general fund of the Treasury. If by that time interest rates have tended to ease, perhaps a refunding issue could be offered. Perhaps by that time sufficient investment funds will have accumulated to permit the Treasury to get its dearest wish, and sell new longterm bonds to others than the banking system. Were that possible, part of the proceeds of such sale could be used to pay off the small issue of 2 percent bonds. We doubt if that is likely. We doubt also that the general fund of the Treasury will be high enough to warrant the expenditure of \$500,000,000 just to pay off an issue that could be allowed to ride along for another four years if necessary. All in all, we suspect that the 2 percent bonds will not be called. At 100\\(^4\_{32}\) to yield 1.64 percent to December 15 and 2 percent thereafter, the issue has attraction.

### Successful Refunding

Apparently the premium of over  $\frac{4}{32}$  which was maintained in the market for the 1% percent certificates due April 1, 1952-which were issued a month earlier-persuaded holders of the 11/4 percent notes due August 1 that they could safely make the exchange for the new 1% percent certificates due July 1, 1952, with the result that of the \$5,350,000,000 maturing notes, \$5,216,000,000 were exchanged for the new certificates. In other words, holders of all but about 21/2 percent of the maturing notes took the new issue, leaving only about \$134,000,000 to be paid off in cash. Not only that, but the Open Market Committee added very few of the notes maturing August 1 to the "Fed" portfolio in the weeks perceding the exchange. During July their purchases appear to have been only a little over \$50,000,000, in sharp constrast to the over \$500,-000,000 of the notes maturing July 1 which they acquired during June.

The new certificates sold almost immediately at premiums between  $\frac{3}{32}$  and  $\frac{5}{32}$  and maintained that

price during the month, entirely without any assistance from the Open Market Committee whatever. In fact, the Committee was no market factor in July.

# **General Market Improvement**

The market got along very well in July without the presence of supporting operations, and in spite of continued tight money evidenced by higher rates for the successive weekly Treasury bill sales and peak rates for Federal funds.

Changes in prices of some of the key issues between July 2 and August 6 were:

Ineligible Bonds
2 14 % 12/15/62/59+1-14/32
21/2% 6/15/67/62+1-7/32
21/2 % 12/15/72/67+ 20/32
Notes
1%% 3/15/54 + 6/32
$1\frac{1}{2}\%$ $3/15/55 + 7/32$
1%% $12/15/55 + 13/32$

The "bank"  $2\frac{1}{4}$ s actually got back to par. The  $2\frac{1}{4}$ s 59/56 rose enough to get in line with the somewhat mythical interest curve. The Victory  $2\frac{1}{2}$ s were a full point above the low for the year. The partially tax free bonds rose enough to lose all attractiveness compared with fully taxable issues on an "after tax basis" as the tax law now stands, but on the assumption that the new law will sharply raise the normal tax, the further demand for these issues continued. Even the shorter term issues continued to be taken or, at least, not sold, in spite of the lack of any surplus funds.

Meanwhile the Treasury has continued to get an extra \$200,000,000 every week since August 2 by selling that many more than the successive maturities, thus obtaining \$1,200,000,000 from July 2 to August 9 and apparently intending to get another \$1,400,000,000 in the next seven weeks. As the Open Market Committee was doing nothing to ease money conditions, the average cost had risen from a 1.604 percent basis on July 5 to a 1.652 percent basis on August 6.

Nevertheless, the amount of bills held by the "Fed" increased less than \$100,000,000 for the period, as corporations continued to be heavy takers for the reason that the rate on the bills continued to compare favorably with the rate obtainable from the Treasury savings notes. It is estimated that corporations now own about \$11-billion of the over \$14,500,000,000 of Treasury bills now outstanding. Currently the "Fed" owns less than \$600,000,000, compared with over \$15-billion early in 1947.

This means that the present deficit financing by the sale of bills has not so far inflated the money supply.

### **Treasury Deficit Grows**

The need for the sale of additional bills became quite evident with the release of the Treasury figures for July, reporting a deficit of \$2,168,000,000 for the month. Net budget receipts were nearly \$700,000,000 greater than a year ago, but expenses rose over \$1,700,000,000 and can be expected to increase still further. A substantial deficit for August seemed certain.

Nevertheless, the working balance of the Treasury on July 31 was \$4,620,000,000. Seven more weeks of extra bill sales will add \$1,400,000,000. That should be enough to postpone further new financing beyond 1951.

# BANK LAW NEWS

# Usury—Chattel Mortgage—Other Cases

### USURY

Loan Is Usurious Despite Use of Multiple Agreements to Cloak Exaction of Excessive Interest from Borrower

To Arkansas, one Chandler borrowed \$959 from an industrial loan company issuing "investment certificates" under a license providing that: "Investment certificates shall not be sold to the public for cash, but will be issued solely to persons who borrow from the corporation in connection with loans made to them similar to the Morris Method."

In return for this loan Chandler gave the company his note for \$1,128.24 due in 18 months with interest at 8 percent after maturity, a chattel mortgage on his automobile, and a pledge of one of the company's investment certificates which was issued to him concurrently with the making of the loan.

The certificate, like the note, was made out for \$1,128.24, which amount Chandler agreed to pay in equal monthly instalments. The certificate paid no interest and carried a provision that the company agreed to accept it as collateral for any loan it might make to the holder and to apply it in payment of such loan upon its maturity.

The note, however, provided that the company need not first resort to the certificate for payment of the loan, but at its option might look to the maker or endorsers. While it mentioned the assignment of the certificate, it did not state its value nor how it was to be paid. The note also contained a provision that if its face amount were more than the amount actually loaned, "liability shall be for the amount actually loaned."

The chattel mortgage was the only one of the three instruments which showed what Chandler's monthly

payments were to be: 18 equal payments of \$62.68.

Chandler made these payments for several months and then, in a lucid moment, stopped paying and brought suit for cancellation of the note and mortgage, alleging that "when full effect was given to the note" a tabulation of interest on the \$959, computed on a partial payment basis over 18 months, resulted in charges of \$108.63 in excess of the 10 percent interest permitted by Arkansas' usury law.

# Just "An Aid to Investors"

The finance company denied usury on the grounds of the provision in the note that liability should be only for the amount actually loaned. It maintained that as a corporation it merely "contributed its facilities as an aid to investors in systematic saving" through the medium of its investment certificates, and that lending money on the security of accumulated payments on the certificates was "merely incidental." Its assistant treasurer testified that \$959 would satisfy the note, but \$1,128.24 "was put into it because we make them up to agree with the investment certificate." At the same time the company contended that the note and the certificate represented two separate transactions, neither depending upon the other.

Arkansas' Supreme Court rejected this construction. Even if it were true that the company sold its certificates merely as a public service, the court said, the fact remained that the certificate in question was tied in with the loan "by conduct no reasonable person could fail to understand," as part of "the lender's deliberate design to exact a promise from Chandler for the payment of more interest than the law allows."

A collateral contract, itself lawful and made in good faith contempor-

aneously with a loan contract, will not invalidate the loan contract as usurious simply because the effect of the collateral contract is to exact more from the borrower than the lender would realize from a legal rate of interest, the court said.

But, the court added, "it is equally well settled that where, as here, the primary purpose is to lend money through multiple transactions devised to cloak the real intent to collect excessive interest, courts will analyze the scheme and ascribe to it the contemplated purpose, disregarding as preconceived emergency defenses such language as that found in appellant's note limiting recovery to the actual amount loaned." Comm'l Credit Plan v. Chandler, 239 S.W.2d 1009.

# **NOT USURY**

While usury laws limit the interest which may be charged for a loan of money, they have no application to credit charges made in connection with sales on the instalment plan. A succint statement of the legal status of the credit charge has been used by Missouri's Court of Appeals in an opinion holding that the purchaser of a \$1,351 automobile has no right to complain that he was assessed an additional \$253.19 for the privilege of paying for it on the instalment plan: "The owner of property, whether real or personal, has a right to name the price at which he is willing to sell. He may offer to sell at a designated price for cash, or at a much higher price on a credit, and a credit sale will not constitute usury, however great the difference between the cash price and the credit price, unless the whole transaction was in fact a mere pretense and a sham in order to camouflage the real facts." Tracy v. Martin. 239 S.W.2d 567.

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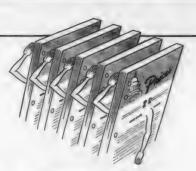
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Prices 1



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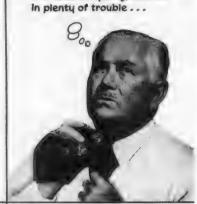
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GUARANTEES PAYMENT OF ACCOUNTS RECEIVABLE

OFFICES IN PRINCIPAL CITIES OF THE UNITED STATES AND CANADA (CONTINUED FROM PAGE 60)

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# CHATTEL MORTGAGE

A Texas law similar to laws enacted in many other states provides that a chattel mortgage filed in accordance with law shall be presumed paid six years from the date of maturity of the debt which it secures unless, prior to the expiration of that time, the holder of the mortgage files an affidavit stating that the debt has not been paid.

In a case of first impression, the Texas Court of Civil Appeals has held that the filing of such an affidavit of nonpayment is merely for the protection of creditors and bona fide purchasers without notice, and in no way operates to extend the maturity date of the mortgagor's debt to the mortgagee. Petersime Incubator Co. v. Bunn, 239 S.W.2d 416.

### FDIC

A right to bring a lawsuit against a bank officer for wrongfully honoring checks drawn against insufficient funds may be assigned to the FDIC as part of a purchase of assets of an insured bank even though, under the common law, such a right is not assignable. The United States District Court for the Southern District of Indiana so held in a recent decision.

The "chose in action" in question was purchased along with other unacceptable assets of a bank in accordance with that part of the FDIC Act which provides that: "Whenever in the judgment of the board of directors such action . . . will facilitate the sale of the assets of an open or closed insured bank to and assumption of its liabilities by another insured bank . . . the Corporation may purchase any such assets. . . . "12 U.S.C.A. §264(n) (4).

Granting that the language of the statute left something to be desired, the court held that it was nevertheless "apparent" that the Congress intended to permit unrestricted transferability of every asset of an insured bank, at least where necessary to accomplish the assumption of its deposit liabilities by another insured bank. Otherwise, said the court, the usefulness of the statute would largely be defeated.

It therefore follows, said the court, that "the right to purchase an asset which is a chose in action, to have any meaning, must be equivalent to the right to bring suit upon it and reduce it to judgment. It is therefore concluded that the phrase '... purchase any such assets' adequately expresses an intention to make assignable choses in action included in such assets." FDIC v. Rectenwall 97 F.Supp. 273.

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# GARNISHMENT

MINNESOTA'S Supreme Court has held that when two depositors maintain their funds in a "joint and several" bank account under a contract giving either the right to withdraw any or all of the funds, their account may be garnisheed for the individual debt of one of the depositors and that judgment might be recovered against their bank for the entire amount of the account if the creditor's judgment against the individual depositor is sufficient to exhaust the account. Park Enterprises, Inc. v. Trach, 47 N.W.2d 197.

# NATIONAL BANK'S RESIDENCE

MASSACHUSETTS statute provides A that corporate franchise taxes paid by utility companies are to be divided between the state and the municipality where the companies do business, in proportion to the amount of the companies' stock owned by nonresidents and residents. That state's Supreme Judicial Court has held that (1) a Boston national bank which holds a majority of the stock of a utility as trustee owns the stock for the purpose of the statute and (2) that the state is not entitled to franchise taxes paid by the bank as trustee, on the theory that the bank is a nonresident of the state. "If national banks set up in this Commonwealth are not residents here it is difficult to discover any other place of which they are residents," said the court. Comm'r of Corps. & Tax v. City of Malden, 98 N.E.2d 277.

# LIQUIDATION

The receivers of a liquidating Louisiana bank cannot bind the receivership to a contract of sale of receivership property even if the proposal is unopposed by other interested parties, unless the terms of the sale have first been approved by the courts, the Louisiana Supreme Court has held. Dowling v. Canal Bank & Trust Co., 51 S.2d 592.



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# The Outlook for the INVESTMENT MARKETS

H. EUGENE DICKHUTH

The prospect for investing funds, institutionally or individually, is probably as good now as in any period in history. Yet, the pitfalls of the present era should not be underestimated.

The half-free, half-controlled markets of America pose grave problems on all levels. These are artificial scarcities of materials, caused by the Controlled Materials Plan, equally artificial unemployment and, thus, reduced volume which will express itself eventually in lower corporate earnings.

This may be a temporary phenomenon, but for the time being it is quite real. The wheels of retail business have been reduced to slow motion. The market for automobiles, radios, television sets and appliances is at a virtual standstill. The garment industry is all but dead.

Close to 60,000 individuals are out of work in Detroit and those still employed are afraid of their jobs. Thus, buying incentives, but for bargain rates, are hardly existent.

Inventories at the end of June, adjusted for seasonal variations, were \$550,000,000 above those of May 31, and, at present rates of consumer demand, they may last beyond the new year, despite the forecasts of more and more inflation and more and more taxes eventually.

### **Varied Pressures**

These factors should not be overlooked despite the obvious inflationary pressures, generated in Washington by defense spending, by higher freight rates, by granting manufacturers the right to increase prices and by inviting the unions to ask for higher wages—for fear the current business recession may get out of hand.

Therefore, the potential investor,

individual or institutional, dedicated to the preservation of corporate or union funds, should consider the relatively true value of current stock and bond quotations.

After all slide-rule examinations have been made, it will probably be found that current market prices are not inflated. The advance in averages is about in line with the added physical volume of goods being turned out, even though it may deviate from the inflated dollar volume of the value of the gross national products data.

# **Vulnerability**

Added to that may be the possibility that the next war, if and when it comes, will find the United States for the first time in its history vulnerable to enemy bombings and to wholesale destruction of property.

Financial managers are not scared by that prospect. The consensus is that, regardless of all the effort which might be made, no power would be able to stop American output to the extent which forced Nazi surrender in the last war.

Diversification of investment plans, thus, seems clearly indicated. Railroads in the last war were one of the industries quickest to repair damage from bombings.

If the chemical industry should be singled out for destruction by the enemy, with more or less success, there is no reason why meat packing and stockyards or, say, textile mills should not prove excellent investment opportunities.

Ever since Korea, investors have been barraged by figures on the cost of the rearmament program. What is little understood is that the \$12.5billion increase which has taken place in Government outlays has not been sufficient to overcome a slower

general business trend, caused in part by over-buying last year and by rearmament dislocations.

In fact, the \$12.5-billion boost in defense spending accounts for only about 4 percent of the \$314-billion value placed on services and goods produced in this country. It has had no strong inflationary effect, and there is no special reason why it should have for the rest of 1951.

Another factor to take into account in any future investment program is the emotional one. No one in authority disputes that there may be a let-down in output and appropriations in the event of a genuine peace in Korea. In this case, so-called war industries may suffer and so may producers of civilian goods because of controlled materials, shortages of goods, and public unwillingness to buy.

In this period of inflation psychology—which may be right or wrong—equities are naturally of greater interest than preferred stocks or bonds.

### **Investment Choice**

Among stock investments to be considered at the present time, according to experts, are a variety of industries. On top, almost, are oils and metal mining companies, which are especially immune to Federal taxation because of their depletion charges.

Other favorites include the aviation and electronic industries, paper and timber companies, merchandising and research stocks, as well as utilities and cement companies, since building will always remain a strong factor.

Because of the fact that mutual funds, pension trusts, and even some life insurance companies have become holders of common stocks,

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KING

On the campus of Swarthmore College stands the house where Benjamin West was born in 1738. Now owned by the college, it commemorates the first American artist to achieve international renown.

Despite the rigors of the Pennsylvania frontier where West spent his boyhood, his talent found expression. When only six years old he made a remarkably lifelike picture of his sister's baby asleep in her cradle. From friendly Indians who saw his

efforts he learned how to prepare red and yellow pigments and he made a paint brush by clipping hair from the family cat and binding it to a quill. Before he was out of his teens he was earning money as a portrait painter.

At the age of twenty-two West went to Italy where as an artist from a supposedly savage country he caused a sensation. Three years later he established himself in London and never returned to America.

Before leaving this country West had paid court to Elizabeth Shewell but her wealthy brother looked with disfavor on the struggling young artist. After West settled in London he wrote Elizabeth asking her to come over and marry him but the brother discovered the letter and locked Elizabeth in her room. However, three of West's friends, one of whom

was Benjamin Franklin, assisted the young lady to escape by means of a rope ladder and drove her to a ship which weighed anchor a few minutes later. On board was West's father who escorted her to the bridegroom.

West, one of the founders of the Royal Academy, became president after Joshua Reynolds' death; he was appointed historical painter to King George III and was offered knighthood but declined the honor.

In his painting "The Death of Wolfe" he revolutionized art by depicting the characters in costumes of the proper period rather than in classical garb as had been customary. As teacher and counselor of many of his compatriots, including John Copley, Gilbert Stuart, Charles Willson Peale and John Trumbull, he exerted great influence on American art.



West's sleeping niece served as an early model



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DAYSTROM FURNITURE, Western Division, at Fullerton and Anaheim, Calif. Chromed tubular steel and wood dinette sets.

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ELIZABETH, N. J.

This advertisement is set in ATF type faces: Garamond Old Style, Goudy Bold, Bulmer, and Bernhard Modern Bold

(CONTINUED FROM PAGE 66)

the market has assumed a much more stable character from that prevailing in the Twenties.

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A great outlet for funds is also represented by the market for state and municipal bonds. While the volume of these obligations has decreased somewhat, compared with last year, the amount is still large. In the event of unrestricted peace and a general contraction in business, this segment of the investment markets deserves special emphasis.

Building of new roads, hospitals, airports, schools, water systems, and sewers may be expected to take up a good deal of the slack in other businesses, and, with state and city taxing authorities functioning, there should not be too much difficulty in collecting enough funds to pay bondholders and to make obligations of that type a desirable medium in this era of great uncertainty.

While some issues have been frowned upon by the Voluntary Credit Restraint Committees in recent months, the overall necessity of maintaining civic services would seem to make state and municipal obligations an excellent investment vehicle.



"Once I start a book I can't lay it down until I finish it!"

# Mutuals' Deposits Increase, But Not Quite So Rapidly

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On June 30, total deposits of the 529 mutual savings banks of the nation stood at the record high figure of \$20,397,000,000, it is reported by Carl G. Freese, president of the National Association of Mutual Savings Banks and president and treasurer of the Connecticut Savings Bank of New Haven.

The report shows that, during the first six months of 1951, deposits increased \$372-million, or 1.9 percent, as against \$652-million, or 3.4 percent, during the corresponding period of 1950. The increase for the last 12 months was \$458-million, or 2.3 percent.

"The lesser gain in 1951 than in 1950 reflects the fact that for the first six months of 1951 deposits were down 1 percent as compared with the same period in 1950, whereas withdrawals were up 11 percent," the report explains. During this period, one-third of the growth in regular deposits, as against two-thirds for the corresponding period in 1950, represented new savings, as opposed to dividend credits.

# Gains over 1950

During the month of June alone, total deposits gained \$163-million, well above the \$133-million shown in June 1950. This is the second successive month this year in which deposit gains have exceeded those for the corresponding month last year. The greater gain this June reflects the fact that, while deposits in regular accounts were 1.5 percent less than in June 1950, withdrawals were down 7 percent.

Mortgage lending continued to provide the chief outlet for savings bank investment during June. The gain of \$158-million in the banks' mortgage portfolios brought holdings to \$8,919,000,000. Cash showed a seasonal gain of \$47-million; and corporate and municipal securities gained \$37-million, while holdings of U. S. Governments fell \$72-million. Since June 30, 1950, the banks have increased their mortgage holdings by \$1,826,000,000, or 26 percent.



"Westward the tide of empire" is swinging toward the broad expanses and vast natural resources of the State of Washington and the region bordering it

It is a land where people work in comfort and play with freedom—where Nature has bestowed a wealth of magnificent scenery—snow-clad mountains, evergreen forests, rolling plains and fertile valleys—of sparkling lakes and rushing rivers. Its forests abound in game for the hunter and its streams and bays lure the fisherman with fighting trout and lordly salmon.

Many, who come to look, decide to stay.

Serving the financial needs of this region for more than four score years is the Seattle-First National Bank—blanketing the State with its 52 strategically located branches. Executives familiar with the Pacific Northwest and its many lines of business and industry will gladly assist you in knowing it better.

A QUARTERLY PUBLICATION of this Bank giving a careful review and digest of business and industrial conditions in the Pacific Northwest will be mailed to you regularly upon request.

SEATTLE FIRST NATIONAL BANK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

down

KING

# Minimizing Excess Profits Taxes

"Your management policies must be keyed to the present and anticipated tax rate structure on your estimated profits; and ultimate tax liability will vary materially according to the correlation or lack of correlation of management policies and tax rates."

### DON GRESSER

MR. GRESSER, a certified public accountant in Topeka, Kansas, discussed this important subject before the Bank Management Clinic of the Kansas Bankers Association in a paper from which the following article, appearing in two instalments, is adapted. In this one he considers the tax savings possibilities in bank income from interest. A later article will take up the bank's investment program as probably the most important factor in potential tax savings.

ACCOUNTANTS have argued for years as to whether income and excess profits taxes represent expenses of doing business or distributions of net income. The question seems to have no provable answer, and profit and loss statements have emerged which show earnings before and after taxes as a practical solution.

Let's think of Uncle Sam as a stockholder in your bank, a preferential stockholder who has no investment, takes no risk, contributes management to only a limited extent, but who is entitled to a big bite out of the earnings, if any, ranging from a minimum of 25 percent to an over-all maximum of 62 percent, and a top bracket rate of 77 percent under present law, with excellent prospects for an increasing yield in the future.

You perhaps have heard the story of the farmer with city guests. They picked his flowers, his wild berries, trampled over his garden and fences, and then asked, "Can we take this road home?" He replied, "You might as well. You have taken everything else." After you have paid taxes at a 77 percent rate, you could be pardoned for saying, "Why don't they take the rest?"

As is true in many other situations, a thorough knowledge of fundamentals is perhaps more valuable than an understanding of technicalities in a successful tax practice. As an introduction to fundamentals, it is necessary to have current tax rates clearly in mind. Under the present law, banks are taxed at a normal tax rate of 25 percent on earnings up to \$25,000. A surtax rate of 22 percent applies on income in excess of \$25,000, and an excess profits tax of 30 percent applies on income in excess of the excess profits credit. The excess profits credit is a computation which attempts to arrive at the normal earnings of corporations in order to measure the excess profits. A minimum excess profits credit of \$25,000 is available. The maximum over-all tax rate is 62 percent of excess profits net income.

### **Excess Profits Tax**

Differences in the determination of net income subject to normal tax, surtax, and excess profits tax are disregarded for our persent purpose. The larger banks represented in this group will undoubtedly have an excess profits tax credit greatly in excess of \$25,000, but many average size banks, particularly those in the \$3,000,000 to \$4,000,000 total resources bracket, will find that the minimum excess profits credit of \$25,000 is greater than the credit computed under any of the alternative methods. To summarize, banks

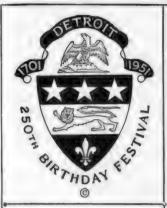
will have the 25 percent rate, the 47 percent rate, and in many instances the 77 percent rate, and a number of banks will find that they jump directly from the 25 percent rate to the 77 percent rate at the time earnings exceed \$25,000.

Few banks were subject to excess profits tax liability during World War II years. The situation today, however, is not at all comparable, and it is anticipated that most banks earning over \$25,000 will have the 77 percent tax rate involved.

This change, as compared to the 1940 to 1946 period, is the result of several factors. Bank earnings, of course, are at a peak. Also the excess of current earnings over statutory base period earnings is considerably greater than in World War II. A third factor is that taxexempt and partially tax - exempt Federal bonds are becoming a thing of the past, and the relationship of nontaxable to total income in a bank is constantly falling. Banks were fortunate in avoiding excess profits tax liability in 1940 to 1946; a decidedly different situation exists

A knowledge of technical details is not entirely necessary to an understanding of tax saving matters. Taxes are not a cut and dried matter. Your management policies must be keyed to the present and anticipated tax rate structure on your estimated profits, and ultimate tax liability will vary materially according to the correlation or lack of correlation of management policies and tax rates.

(CONTINUED ON PAGE 72)



## A SALUTE FROM DETROIT OBSERVING HER 250th ANNIVERSARY

\*

FRENCH FLAG 1701-1760

BRITISH FLAG 1760-1796

AMERICAN FLAG 1796 DETROIT is observing her 250th Anniversary—250 years of high adventure from the early days under three flags\* to her position as Arsenal of Democracy, major contributor to the National economy and to world industrial leadership.

MAY WE SALUTE YOU who have contributed mightily to this record, since all of us, as banking knows so well, have been and are increasingly interdependent.

RECOGNITION of this inter-dependence will again inspire the unity to meet any emergency, to go on to greater accomplishments, forging sinews from the traditions, local and national, which provided the foundations and the inspiration for all our strength.

#### NATIONAL BANK OF DETROIT

MEMBER
FEDERAL DEPOSIT
INSURANCE
CORPORATION

DETROIT, MICHIGAN

Complete Banking and Trust Service

September 1951

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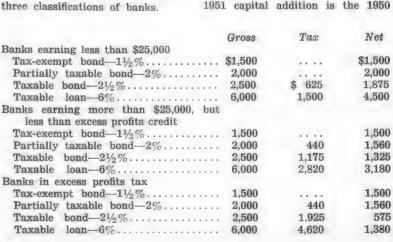
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tax

#### Minimizing Excess Profits Taxes

(CONTINUED FROM PAGE 70)

A bank's principal item of income is interest; therefore, we might first consider tax saving possibilities in this connection. I want to classify interest income, for our purposes, as tax-exempt, partially taxable, and fully taxable. Partially taxable interest-for example, interest on a United States Treasury bond issued prior to March 1, 1941. in excess of \$5,000 par value-is subject to the surtax but not to normal tax or excess profits tax. Where bank earnings do not exceed \$25,000 a partially taxable interest investment is as good as a security entirely tax exempt by reason of the \$25,000 surtax exemption. For a bank earning over \$25,000, the tax bite is 22 percent on partially taxable interest. From the above, you will note the partially taxable interest type of investment is considerably more advantageous to the smaller bank. We can illustrate tax consequences of investments by using hypothetical cases. For this purpose, let us assume a bank has \$100,000 to invest and that municipal bonds will realize 11/2 percent, partially taxable bonds will earn 2 percent, fully taxable bonds will earn 21/2 percent, and loans will draw 6 percent. My assumptions of fact as to interest rates may be embarrassing, but the tax significance is the important factor. On the basis of the above facts, the following schedule shows the gross income and excess profits tax, and the net income from the investment on the four types of securities for





Why, I'm surprised at you, Mr. Kohout! Look at it this way. I'm overdrawn, which means I owe you money. That makes me an account receivable, or in other words an asset to the bank! Right?

A thorough review of these computations is quite informative. By substituting rates of interest in your securities account for the assumed rates used above, the schedule will have direct application to your particular situation.

The tax savings indicated above may be lost, however, through reduction in the excess profits credit that necessarily follows a change from a taxable security to a nontaxable one. First, let us consider the bank using the average earnings excess profits credit. Under present law, the excess profits credit based on earnings is increased each year by what is called the taxable year capital addition. Briefly, the 1951 capital addition is the 1950

earnings retained in the business; in other words, 1950 net income after income taxes and less dividends. This additional credit normally available is automatically reduced by the excess of the 1951 daily average inadmissible assets over the January 1, 1950, inadmissible asset amount. Inadmissible assets are those on which income is not subject to excess profits tax. Thus, if you transferred \$100,000 on January 2, 1951, from a taxable security to a nontaxable security you would probably find that your anticipated tax savings through reduction of income subject to excess profits tax would be partially lost through a reduction in the excess profits credit. I do not mean to infer that all tax savings are lost, but it certainly is necessary to follow through on all adjustments in order to determine the ultimate re-

A computation in each situation is normally required.

If you are using the invested capital excess profits credit, an increase in inadmissible assets serves to reduce the credit. The amount of the adjustment must be worked out by specific case, and tax saving is normally the result of a change from a taxable to a nontaxable security though not as large as first concluded.

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#### Bond Drive Opens on Labor Day

PRESIDENTS and secretaries of state banking associations, Savings Bond state chairman of the American Bankers Association, and national officers of the American Bankers Association met with Secretary Snyder in Washington early in August to discuss increased participation by the nation's banks in the Defense Bond program, with special reference to the Defense Bond Drive starting Labor Day, September 3. The meeting also studied the continuing effort by banks to increase Defense Bond sales.

Presiding over the conference was H. Frederick Hagemann, Jr., president of the Rockland-Atlas National Bank of Boston, Massachusetts, and chairman of the A.B.A. Treasury Savings Bonds Committee.

#### Panel Discusses Defense

Following an inspiring talk by Secretary of the Treasury Snyder, one of the highlights of the program was a panel discussion of the various phases of the country's defense policy. On the panel were: Winfield W. Riefler, Moderator, assistant to chairman of the Board, Federal Reserve System; Francis H. Russell, director, Office of Public Affairs, Department of State; Brigadier General A. Robert Ginsburgh, U.S.A., Office of the Secretary of Defense; Joseph E. Reeve, chief, industry, housing and finance branch, Fiscal Analysis Division, Bureau of the Budget; and Earl A. Nash director, Public Liaison Division, Office of Public Information, National Production Authority and Defense Production Administration.

The place of the banks in the Defense Bond program was outlined by William H. Neal, senior vice-president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina. An informal noon luncheon was addressed by Dr. Marcus Nadler, professor of finance, New York University, New York City. The afternoon was devoted to discussion groups led by Mr. Hagemann and Ralph Fontaine, president, State Association Section, A.B.A., and executive secretary of the Kentucky Bankers Association.

"For 10 years," Mr Neal told the group, "the bankers of the nation

have been Savings Bond salesmen. . . . "But while we are patting ourselves on the back for good performance, let us also acknowledge that in the doing of that job, substantial benefits accrued to the business of banking.

#### Selling Banks, Too

"While we were selling bonds, we were also selling banks, banking and bankers to millions of people. As bond representatives we came into a closer personal relationship with our entire communities, some segments of which had experienced no previous contact with bankers. We made friends of people who were surprised to learn that bankers are human beings too!

"Millions, who had never been in a bank, came in to buy, to discuss or to cash bonds. Many became bank customers.

"Bankers learned that they could be effective salesmen, and they applied this newly acquired talent to selling the services of their banks, with the result that in the past 10 years bank salesmanship has developed more rapidly than during any other comparable period in banking history.

"The habit of thrift was promoted on a national scale to an extent not possible in any other way, and while billions of dollars were going into bonds, other billions were entered on the savings ledgers of our banks."

#### **Criticisms Explored**

The speaker examined the criticisms of Savings Bonds.

"The most frequent one," he said, "comes from the association of Savings Bonds with unbalanced budgets and the huge nondefense expenditures of government. Many people, including some bankers, alarmed by excessive nonessential spending in time of national emergency, and despairing of any other means of halting government waste and extravagance, have suggested that the public stop buying bonds as a protest against these conditions.

"I share their anxiety, but I question their remedy.

"Is it logical to silence the voice of the Savings Bond program because other segments of the government cry out for more spending? Let us not silence this voice, but let us make it so loud, so effective, and so continuous that it will reach more and more of the masses of our people and persuade them to demand fewer handouts from government and more economy in government...."

#### Tell What's Right

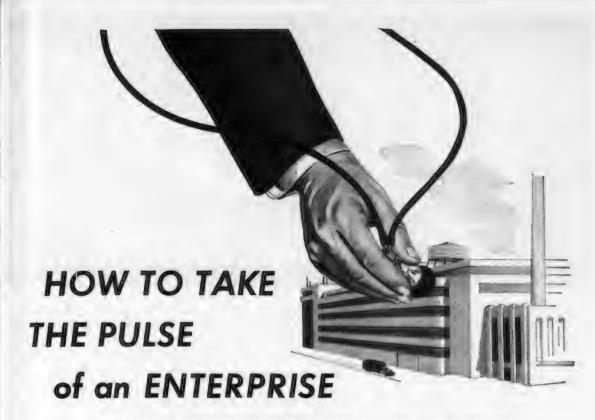
"But, time to stop talking about what some people say is wrong with Savings Bonds. It's time to talk about what is *right* with Savings Bonds.

"What's right with Savings Bonds?" Well, they are still the world's safest buy in bonds. Despite all that has been said, despite the extravagance and waste which we tolerate in government, despite the threats to our way of life, these bonds, backed by the good faith of the world's richest and most productive nation, are safe. If we as bankers did not believe that, then our banks would not own a \$70-billion stake in U.S. Government Bonds. We buy them for our banks and we recommend them to our customers.

"What's right with Savings Bonds? They still provide one of the most popular methods of saving money. In a nationwide survey, made in June, 85 percent of the people said that Savings Bonds were a good investment. . . .

"What's right with Savings Bonds? They help to spread our huge national debt. Seventeen percent of the debt is now held by owners of E bonds, and nearly one-fourth is held by owners of Savings Bonds of all types. This spreading of the debt among millions of people is an important part of the tremendously vital program of debt management. . . .

"As we enter the second decade of the Savings Bond program, we have another opportunity to demonstrate banking leadership, to help preserve freedom, and to help establish financial independence for millions of our people. I am confident the bankers will write another brilliant record of achievement in the days ahead." (END)



When you need more facts before making an important decision on capital investment or business management, an Ebasco Business Study can provide you with information that will be a sound basis for such decisions.

Whether your problem is large or small—involving an entire enterprise or only specified phases of its activities—you can depend on an Ebasco Business Study to give you a clear picture of all the factors involved. The information that goes into such a study is compiled and analyzed by experienced specialists and will provide you with a blueprint for action.

Whether you need a Study of an existing business or a proposed one, Ebasco specialists will analyze each problem as it arises from a completely impartial, unbiased viewpoint. The blueprint finally arrived at will be one you can use confidently. Men in all walks of business life have found such reports a quick, reliable and economical source of vital information—industrial, utility and commercial management—bankers, brokers, underwriters, individuals—government personnel.

For further information send for our booklet "The Inside Story of Outside Help." Address Ebasco Services Incorporated, Dept. L, Two Rector Street, New York 6, New York.



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#### EBASCO SERVICES

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Ebasco Teamwork gets things done anywhere in the world



The farm show exhibit of the Pennsylvania Bankers Association, designed for use by local banking groups at fairs throughout the Keystone State to emphasize the role of banks in community affairs. F. Travis Coxe, vice-president and secretary, Fidelity-Philadelphia Trust Co., and chairman of PBA's farm exhibit committee, runs stage money through counting machine. The stage money, in various denominations, passed out to interested spectators, carries this message: "When you need real money for: Additional livestock and poultry; repairs to homes and outbuildings; new mechanical equipment; seed, fertilizer, and feed; pasture land improvement; and other agricultural needs, See Your Local Banker."

#### **News for Country Bankers**

This news covering various aspects of country banking was compiled by MARY B. LEACH of BANK-ING'S staff.

#### New Check Book—Accounting Records

The farm customer relations of the Hartford-Connecticut Trust Company have been boosted several notches by a new farm record check book; a wage and Social Security tax control sheet; and a new short-term credit folder inviting farmers to "bank and borrow at a farmer's bank."

Among the useful features of the farm record check book are accounting forms on the reverse of the "three check" stubs. These forms provide (1) space to describe each deposit item and (2) space to record cash expenditures which might be deductible tax items. This latter form is provided as a convenience only and has nothing to do with the normal check book entries.

In its broadside describing the check book and record forms the bank emphasizes the fact that this package was designed especially for the farmer.

In a letter to farmers informing them of the availability of the check book and accompanying forms, A. C. Holland, vice-president of the Hartford-Connecticut Trust, suggested that they follow these rules:

(1) Deposit all income, including cash, received and explain each item deposited in the space provided on the reverse side of the stub. (Our bank-bymail envelopes are helpful in mailing deposits. Try the enclosed sample and prove for yourself how very convenient it is.)

(2) Insofar as possible, pay all bills (including hired labor) by check; explaining on the stub the nature of the item paid. Your cancelled check will constitute your receipt.

(3) If you occasionally make small purchases for cash, keep the receipts and enter your purchases on the lower reverse side of the check book stub. This particular feature is furnished as a convenience only and it has nothing to do with your check book entries. Numerous small cash purchases add up and if they constitute a tax deduction, you will profit by the savings this record will support.

The credit folder outlines the types of loans available to farmers, including mortgage loans, with accompanying farm scenes to illustrate the text; invites farmers to use its regular bank. g services; and carries pictures and biographical sketches of the members of the bank's farm service department. The

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#### North Dakota Starts Short Course in Agriculture

A SHORT course in agriculture, patterned after the Michigan Short Course frequently mentioned in these columns, will be offered next year for North Dakota boys who are interested in obtaining further training in agriculture and who cannot avail themselves of the regular course offered by the North Dakota Agricultural College. The principal sponsor is, of course, the North Dakota Bankers Association.

The short course will be designed for boys 17 years of age or older who have a background of farm experience and who are or will be actively engaged in activities of an agricultural nature. The course is open to farm boys who qualify but who have no sponsor. The underlying objective of the course is to keep young farm people interested in agriculture and encourage them to remain on the farm.

The NDBA is striving for a minimum of 50 students for the first course in January 1952, to be sponsored by banks and businessmen throughout North Dakota. The plan for selecting a scholarship student will be through a local committee set up by the county agent in cooperation with the sponsoring bank or other sponsoring organization, and may include such other persons as they may select.

The association recommends that the scholarship be established by the sponsoring agency in the amount of \$125 for each short course. The full program will consist of four of these short courses, covering a period of two years. The curriculum will include courses in farm arithmetic, livestock feeding, beef, production, cash crops, soil management, farm records, fertilization, etc.

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The Michigan Bankers Association took over the Michigan Short Course at Michigan State College from the W. K. Kellogg Foundation of Battle Creek after a 10-year experimentation program. Of Michigan's 453 banks, 242 are now active in the plan. During 1950, 135 farm youths completed the short course on bank scholarships. The Michigan course is serving as a model for other states which have sent representatives to the Wolverine State to study the program.

#### Two Forestry Booklets

Two interesting new forestry booklets have come to BANKING'S attention. Trees Forever . . . The Story of a Dream Coming True is the title of one brochure. It tells about the dedication in June 1941 of the 120,000-acre Clemons Tree

Farm in Grays Harbor County, Washington, and how the tree farm program has grown in the last 10 years to include 23,000,000 acres in 29 states. It includes information on tree farming practices in the Far West, South, East, and Mid-West. Copies may be obtained from The Montesano Vidette in Montesano, Washington.

The second booklet is a School Bibliography—Our Forests . . . Their Use and Conservation, published by the American Forest Products Industries, Inc., Washington, D. C., for distribution to school superintendents, principals, and teachers.

This latter publication lists a variety of booklets, charts, maps, posters, film strips, and motion pictures now available for schoolroom use. It suggests a variety of interesting ways to incorporate forestry and conservation in regular classroom work.

#### Minimum Credit Files

The subcommittee on credit files of the Minnesota Bankers Association recently released a "Suggested Minimum Credit File for County Banks" folder, which includes the agricultural financial statement form distributed by the Federal Reserve Bank of Minneapolis; two types of comparison statement—one for commercial customers and a simple form to measure the farmer's capacity, designed by the Federal Reserve Bank of New York; comment sheet; and credit file memo.

"The forms shown in this file folder are suggested as a starting point for each bank to use in developing systematic credit files," said the committee. "At the same time an effort has been made to keep the file material simple in makeup so that maintenance can be handled with a minimum of time and effort. There are many different forms and procedures being used by various credit grantors today, but your committee feels that four forms will provide the essential credit information necessary for the average

"Individual banks may desire to add other forms to supplement the four shown in this suggested file, and in certain localities and for certain borrowers, such additions are desirable."

Ora G. Jones, Jr., president, Goodhue County National Bank, Red Wing, Minnesota, and a member of the A.B.A. Agricultural Commission's Committee on Agricultural Lending Procedures, is chairman of the MBA's credit files committee.

#### Wife Speaks on Bank Services to Farmers

Here is what one farm wife told a group of bankers that they should be doing:

"With my dovetailing housework, lawn mowing, gardening, canning, and bookkeeping into farm work and 4-H work, I've wished every once in a while that more of you bankers had someone working for you who could suggest better ways of doing my work so that I could improve our living, could save expense, and could increase our income—a farm-home economics counselor, perhaps.

"I've also wished that I knew more about ordinary business transactions. I didn't know how to endorse a check properly until I did some reading for this talk. You could explain the use of money orders, postal savings, and U. S. Savings Bonds.

"You could tell us what we need to know about doing business at the bank; what we should know about the business and legal transactions in connection with buying, owning, and driving a car; what we should know about making contracts; the things to do when buying real estate; how we may acquire real estate when we are unable to pay the full purchase price; what we need to know about doing busi-

(CONTINUED ON PAGE 120)





September 1951

#### Farm Land Prices Up 17% Over Last Year

The national index of farm land prices for July 1951 rose to 202 (1912-14=100). This is 17 percent above July 1950, when the index was 172, and 5 percent over March 1951, when the index was 193. These figures are based on a release recently published by the Bureau of Agricultural Economics.

The greatest increase in land values is in areas where the prospects for higher farm income in the coming months are most promising. Arizona, New Mexico, Texas, and Mississippi show the greatest percentage increase over a year ago, due largely to the removal of allotments on cotton acreage. Also the continued high prices of cattle had the effect of strengthening the demand for the range lands of Arizona, New Mexico, and Texas

Strong livestock prices helped to influence the increase of 20 percent in the corn belt states of Ohio, Indiana, Illinois, Missouri, and Nebraska. In Virginia, Kentucky, and North and South Carolina, high tobacco prices, as well as those for livestock, contributed to increases of 20 percent. Maine was the only state to show a decline during the year, and this is attributable largely to the prospect of lower returns from potatoes.

See the map on page 79 for the percentage changes from July 1950 to July 1951. The table, also on page 79, gives the index for each state for July 1950 (approximating the start of the Korean conflict), July 1951, and the all-time high. State land price trends are shown on pages 80 and 81.

#### Index 19% Higher Than 1920 Peak

As a result of the sharp increases in farm land values, the index for the country as a whole is 19 percent above the 1920 peak. It is below that level in only 11 states; namely, Maine, Wisconsin, Minnesota, Iowa, Missouri, North and South Dakota, Nebraska, Georgia, Utah, and Nevada. On the other hand, increases of 50 percent or more from the 1920 peak have occurred in 11 other states. North Carolina tops the list with an index of 403—or 81 percent above the 1920 level.

The latest available estimates of the rate of farm sales are for the year ending March 1951. These data indicate that the rate of voluntary sales was 39.4 farms per 1,000, or 6 percent above the previous year.

Estimates for the year ending March 1951 indicate that 60 percent of all farm sales were credit-financed. This is substantially the same as reported in March 1950, but the credit sales for both years were appreciably higher than for the years prior to 1948.

The total farm mortgage debt on January 1, 1951 is estimated to have been \$5,828-million, an increase of more than \$414-million, or about 8 percent over that of a year earlier.

Farm mortgage loans held by banks rose from \$937-million to \$1,008-million, or about 7 percent, during 1950. This is still 50 percent less than the farm real estate mortgages held by banks in 1922, when the amount was \$1,540-million. Then the mortgages represented funds for the purchase of land and the re-

funding of debts. Today, in contrast, approximately 50 percent of bank-held farm mortgages were made for the purpose of making improvements, purchasing equipment, meeting production and operating expenses and refinancing existing short-term indebtedness.

Of the total farm mortgage debt, banks held 17.4 percent on January 1, 1951. The chart below gives the percentage distribution of the total farm mortgage debt, by lenders, for the beginning of this year.

The A.B.A.'s Agricultural Commission has been studying the trends in farm land values since the early 1940's and counseling banks as to the dangers inherent in lending on inflated values. Its Committee on Farm Land Prices has expressed a program of action which suggests that banks become familiar with land prices in their own communities and reconcile loan values with the productivity of the farm. The Committee recommends that banks stress the following points:

 Encourage farmers to increase the productivity of their land rather than purchase additional acreage.

(2) Discourage borrowing to speculate in farm land or in farm commodities.

(3) Discourage all borrowing based upon high farm prices except where the borrowed funds are used in the production of food and fibre.

(4) Urge farmers to use caution in assuming heavy indebtedness for machinery and equipment purchases.

(5) Advise farmers to keep in mind that the sound value of farm land depends upon the capacity of farms to produce a profitable income over a period of years.

(6) Urge farmers to build and maintain adequate financial reserves.

(7) Assist farmers in developing better records.

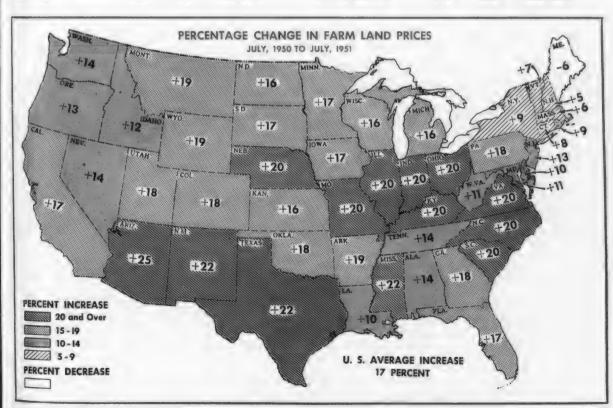
# PERCENTAGE DISTRIBUTION OF TOTAL OUTSTANDING FARM MORTGAGE DEBT JANUARY 1, 1951 Life January 1, 1951 Life January 1, 1951 Federal Land Banks Campunies 23.0% Federal Land Banks Cand Federal Farm Mortgage Corp. 17.0% Individuals and Others 39.0%

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#### Farm Real Estate Price Changes

Index of Average Value Per Acre (1912-14=100)

	July 1950	July 1951	All-time High		July 1950	July 1951	All-time High
11-bome	271	308	308-1951	Nebraska	131	157	179-1920
Alabama	171	214	214-1951	Nevada	108	123	135-1920
Arizona	248	295	295-1951	New Hampshire	138	145	150-1948
Arkansas	-	233	244-1947	New Jersey	192	216	216-1951
California	199	200	244-1941	New Jersey	102	210	210-1501
Colorado	151	178	178-1951	New Mexico	187	229	229-1951
Connecticut	193	208	208-1951	New York	154	168	168-1951
Delaware	162	178	178-1951	North Carolina	337	403	403-1951
D 0100 11 010 1	225	263	263-1951	North Dakota	113	131	145-1920
Florida	440	203	203-1931				
				Ohio	171	206	206-1951
Georgia	180	212	217-1920	Oklahoma	211	249	249-1951
Idaho	159	178	178-1948 & '51	Oregon	144	163	168-1948
Illinois	163	195	195-1951	Pennsylvania	160	189	189-1951
Indiana	177	213	213-1951	•			
				Rhode Island	186	203	203-1951
Iowa.	161	187	213-1920	South Carolina	201	241	241-1951
Kansas	168	195	195-1951	South Dakota	100	117	181-1920
Kentucky	276	331	331-1951	Tennessee	270	308	308-1951
Louisiana	227	249	249-1951				
				Texas	186	227	227-1951
Maine	138	130	147-1949	Utah	138	163	167-1920
	205	228		Vermont	179	191	191-1951
Maryland Massachusetts			228-1951	Virginia	236	283	283-1951
	157	167	167-1951				
Michigan	203	235	235-1951	Washington	153	174	181-1948
				West Virginia	142	157	157-1951
Minnesota	174	204	213-1920	Wisconsin	147	170	171-1920
Mississippi	244	297	297-1951	Wyoming	167	198	198-1951
Missouri	126	151	167-1920	, ,			
Montana	128	152	152-1951	United States	172	202	202-1951



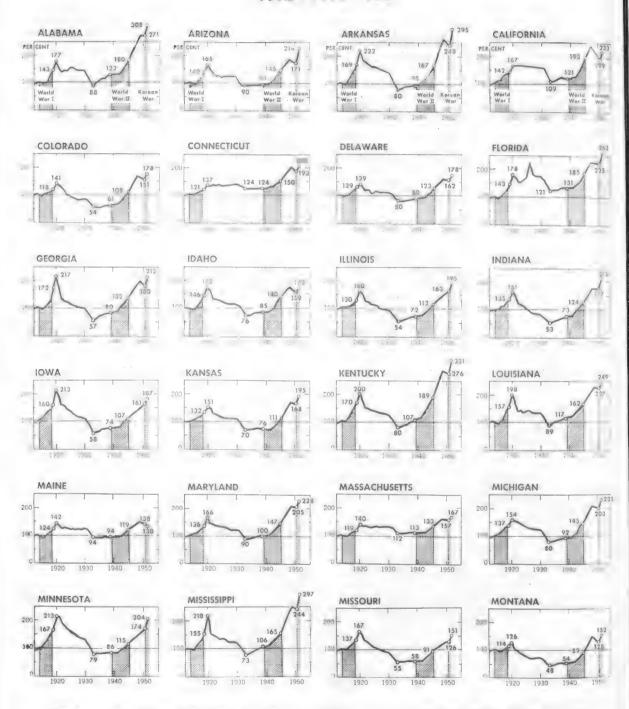
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#### FARM REAL ESTATE PRICE TRENDS

Index numbers representing average prices for each state of the U.S.

1912 - 1914 = 100



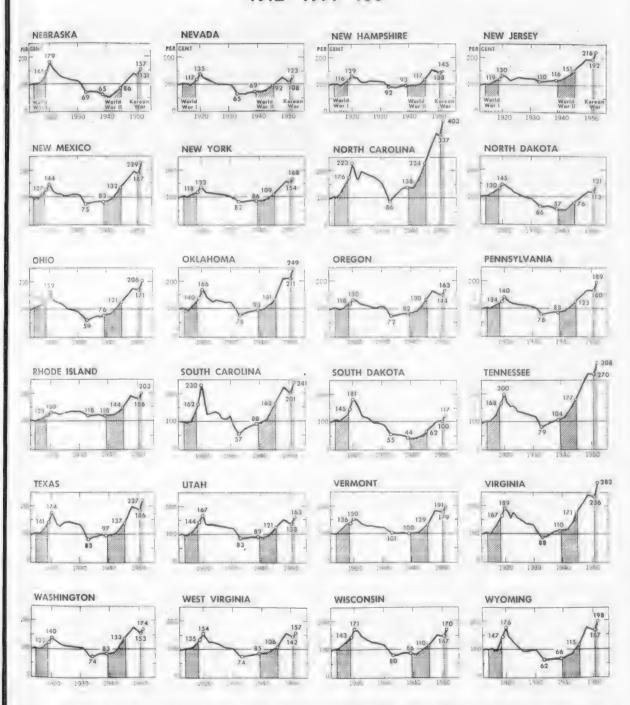
Date are plotted annually as of March with the following dates indicated at small circles on each chart: 1919, 1920, 1933, 1939, 1945, July 1950 and July 1951

Plagarith of Bureau of Agricultural Economics

#### FARM REAL ESTATE PRICE TRENDS

Index numbers representing average prices for each state of the U.S.

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Data are plotted annually as of March with the following dates indicated at small circles on each chart: 1919, 1920, 1933, 1939, 1945, July-1950 and July 1951

Prepared by Agricultural Commission from data of Bureau of Agricultural Economics

#### **Cotton Production Financing**

J. W. BELLAMY, JR.

The author is president of the Arkansas Bankers Association; president of the National Bank of Commerce, Pine Bluff, Arkansas, and a member of the Committee for Research in Farm Credit of the Agricultural Commission, American Bankers Association.

ANKS in agricultural areas have found, through the years, how to make sound cotton production loans. The technique of lending has progressed and cotton farming has become more and more a specialized business.

It has been proved that better merchandising of production loans through good public relations with farmers produces new business of all types.

A large percentage of all loans of this type are made on a secured basis. Therefore, the credit depends to a very large extent upon the following factors:

Value and kind of equipment offered as security

Productivity of the soil

Area in which the farm is located Labor supply, dependent on the type of machinery

Farm plan should include diversification

Capacity for farming calls for managerial ability and technical knowledge gained through experience

The operation should be of sufficient size to assure living expenses, liquidate real estate and equipment notes and add to net worth after repayment of production loan

#### **Essential Information**

The following information is required of the applicant: Financial statement, past record, cropland to be worked, budget for operations, labor, records kept, inventory of farm equipment and livestock, productivity of the soil.

In all cases of the small farmer it is necessary for the banker to make the statement for him. Here is an Mechanical cotton pickers like the one shown at right are gradually replacing the hand picking method



important factor in keeping a credit file. If a loan has been made to the same farmer in prior years, the task will be easier and more accurate. The larger operator, in all probability, will furnish a balance sheet and profit-and-loss statement.

Past records of the applicant are necessary, especially in the case of a new loan. These records will reveal essential information needed in the evaluation of the loan.

Acres to be worked in various crops must be stated. Different crops require different amounts to convert into cash and will be a check against the applicant's budget. An accurate budget is very difficult to obtain. It is important to stress the value of this item to the applicant as a factor in a successful operation.

The following items should be included in the budget: Cost of fertilizer, seed, wage labor, all types of plowing, cultivating, insect poisoning, fuel, feed, harvesting, repairs, living expense, rent, insurance, amount that will be furnished sharecroppers or renters, and a contingent fund.

#### **Labor Supply**

The source of labor supply plays an important part in the operation. How many crop acres depend on nonresident labor? Is the farm undermanned? The source of labor supply must be considered when a number of cropland acres are dependent on the wage laborer, or on

nonresident labor. Insufficient labor will cause a near crop failure.

Farmers as a whole do not keep adequate records. To follow the farm budget, records must be kept to check against the budget; they help to determine the profitableness of each farm enterprise. Cost of production and income from each enterprise should be recorded for comparison with each other. With this comparison, the farmer will know how to combine his operation to the best advantage. In these times, with emphasis on cost of production, records must be trusted to memory. Farm records are useful in securing credit in that they show what the farmer can pay.

The income tax is now reaching everyone, and the farmer must keep good records to make a proper return. A constructed income-and-expense statement by a tax agent could reflect a higher net income than actually existed.

The inventory of farm equipment and livestock is a simple procedure. The list must be complete with the description, serial numbers or manufacturer's make of each unit, and kind, sex, color, name and approximate age of each animal, with the farmer's appraisal figure opposite each item.

A comparison of this inventory from year to year will project for the farmer a picture of decrease or increase. Required information is

(CONTINUED ON PAGE 130)

#### Looking over a good risk ...



Tom Scott, president of Scott Truck and Tractor Company, shows a new IH line to John Breard, executive vice president of the Central Savings Bank & Trust Company, and Fred Millsaps, president of the Ouachita National Bank of Monroe, Louisiana.

Scenes like this are nothing new in Monroe, Louisiana.

Farm equipment bank financing agreements, along the lines suggested by the International Harvester Company, were first put into operation by these progressive businessmen in 1947. Since that time, farm equipment loans in large numbers have been made to farmers without a single loss or repossession by these two banks.

In addition to increased revenue from such loans, both banks report that they have received many new accounts through handling this retail paper.

Continued mechanization is a measure of farm progress, as well as insurance against reduced agricultural production because of threatened labor shortages. The local International Harvester dealer who sells the equipment, the banker who makes the installment loan, the farmer who buys the equipment—each one contributes to the good of the entire community.

#### INTERNATIONAL



#### HARVESTER

180 North Michigan Avenue Chicage 1, Illinois International Harvester products pay for themselves in use



Builders of farm equipment for easier, more profitable farming...trucks for better transport...industrial power for road-building and earthmoving...refrigeration for better preservation of food.

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## Other Organizations

The news in this department is edited by WILLIAM P. Bogie of Banking's staff.

#### Georgia "Know Your Bank Week"

EORGIA has joined the fast-growing group of states with "Know Your Bank Week" programs. The week of October 8 through 13, 1951, has been set aside for this purpose and has been officially proclaimed Georgia "Know Your Bank Week" by Governor Herman Talmadge.

A good deal of preparation and advance planning is taking place to assure the success of this statewide program. The approximately 375 banks of the state have been polled by mail and about 150 immediately indicated that they would take part in the program. Many more are expected to participate as the plans take more definite shape.

For the first time in any such program, all participating banks were invited to attend a meeting to discuss the overall plan. This meeting was held in Macon, Georgia, on August 8, 1951. About 150 bankers attended the luncheon and afternoon program. Talks were made by George M. Bazemore, president of the Georgia Bankers Association, Mills B. Lane, Jr., chairman of the state public relations committee, John D. Bainer, president of the Merchants National Bank & Trust Company, Meadville, Pa., originator of the Know Your Bank idea, and John B. Mack, Jr., director of the A.B.A. Public Relations Council.

The A.B.A. is cooperating with the Georgia Bankers Association in the program, and is supplying the printed material that will be used. (See illustration, page 86.) The A.B.A. Public Relations Council is prepared to cooperate with any state wishing to hold a "Know Your Bank Week."

If the rest of the state follows the strong promotional lead of the Atlanta bank, this is going to be a successful event. Among the plans already made in Atlanta is an 8-page supplement in colors, to be distributed by Atlanta Sunday newspapers to 330,000 subscribers all over the state. Cost of this alone will be \$10,000. The Atlanta banks plan to run a full-page newspaper advertisement each day of Know Your Bank Week. A contest is also being planned built around a written statement and a bank identification idea, with prizes of \$1,000. During "Know Your Bank Week" a dinner will be held for all 2,000 Atlanta bank employees, based on the belief that one of the benefits of this "week" will be better employee relations.

Already excellent publicity, including a number of very complimentary editorials, have resulted from initial announcements. Two ideas that should bring about high newspaper interest were a dinner held for all members of the Georgia Press Association on July 26, 1951, at which Mills B. Lane, Jr., addressed the representatives of the state press on "Know Your Bank Week," and a mailing of mats sent to all papers in the state.

The public relations committee of the Georgia Bankers Association is following through aggressively to bring as many banks as possible into the program. This committee has members in each of the 10 districts in the state and group meetings are planned in each district following the pattern set at Macon.

#### P. R. Workshop

NE phase of the American Bankers Association Public Relations Workshop held recently in Atlantic City was reported in August Banking ("Working with the Schools"). Some practical suggestions on how state associations can help their member banks with a public relations program are given in the paragraphs which follow. These are not direct (Continued on Page 86)

Some New
State
Association
Presidents





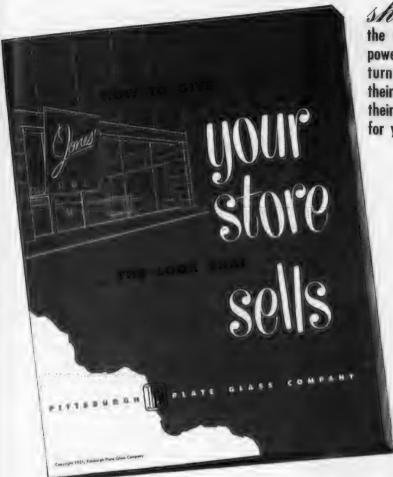


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Left to right: MONTANA— George N. Lund, vice-president, First National Bank, Reserve; NEW YORK—William T. Taylor, vice-president and director, Bankers Trust Company, New York City; NEW JERSEY SAVINGS BANKS—Martin N. Wyckoff, secretary-treasurer, New Brunswick Savings Institution, New Brunswick

## Ready Now!

#### New free book, "How To Give Your Store The Look That Sells"



shows how you can give the retail properties you control the power to widen their trading areas, turn shoppers into customers, hold their own with competition, increase their business. Send the coupon, now, for your copy.

This brand-new book on modernization is packed with ideas on how to give the retail properties you handle the eye-appeal that means buy-appeal. It is chock-full of photographs of actual Pittsburgh Store Fronts and Interiors . . "before" and "after" photographs that tell at a glance the story of how alert merchants have built better business with Pittsburgh Products.

There are examples of all types of sales-winning structures . . . drugstores, bakeries, automobile show-rooms, restaurants, hardware stores, apparel shops . . . small buildings and large buildings. Structures designed by some of the country's fore-most architects.

The latest trend in store design the open-vision front—is generously illustrated. There are examples of how store interiors were made brighter, more cheerful, larger looking through the use of mirrors and other glass applications.

And of course, there is detailed information about the various Pittsburgh Store Front and Store Interior products and suggested ways to use them to give the stores you control a distinctive look that will make them stand out from their neighbors . . . give them the edge over competition.

"How To Give Your Store The Look That Sells" is yours for the asking. Why not fill in and return the coupon at left, now, for your copy? No obligation, of course.

Store Fronts and Interiors by Pittsburgh

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PAINTS . GLASS . CHEMICALS . BRUSHES . PLASTICS

PITTSBURGH PLATE GLASS COMPANY

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You probably make more important contacts per day by letter than you do in person. This common fact spot-lights the importance of your business stationery—it is the background of business impression for your message. To help you select or design the best letterhead for your business needs, Neenah has developed a portfolio covering the basic principles of good letterhead design...

#### The Psychology of Business Impression

A Test Kit of 24 letterhead treatments is included. The letterhead preferences of business and professional men are reported and tabulated on Opinion Cards to guide all participants in the test. To secure a copy, ask your printer or paper merchant. If you prefer, write on your business stationery direct to us.



Letterhead

for your business needs

#### The New NEENAH LEDGER PATTERN KIT



...a portfolio containing useful data for designing special forms: ruling guide, punching and perforating guide, ledger selection chart, color control ideas. Ask for a free copy.

MEENAH PAPER COMPANY HEENAH, WISCONSIN (CONTINUED FROM PAGE 84)

quotations, but they do represent the gist of what the state association representatives said:

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ROBERT LINDQUIST, vice-president, LaSalle National Bank, Chicago, and chairman, A.B.A. Public Relations Council: This is the fourth in a series of workshops to which key people from state associations are invited to get together for the purpose of bringing to the grass roots of banking in this country the idea of working public relations. Everyone of us has a job to do in the field of working public relations. The goal is to reach smaller communities and the bankers in these smaller communities, and to work with and through the state bankers associations.

This is like a two-way street to see how working together as individual bankers, as state associations, and as A.B.A. Public Relations Council can help to do this job that needs to be done, to exchange ideas, to learn what is being done, to get helpful suggestions.

WILLIAM T. WILSON, deputy manager, A.B.A., secretary, State Association Section: While banks carry on individual programs regarding public relations, they should also work with the State Association office in order to get the benefits of organized efforts. There are some things it is difficult for individual banks to do that can be done by organized effort. . . . these state association groups are doing an outstanding job in the public relations field.

CARL K. DELLMUTH, secretary, Pennsylvania Bankers Association. The central theme of any public relations program seems to be educational in character. It becomes our first responsibility to define these educational objectives. Our second problem is to produce a plan to accomplish these educational ends. Then it seems that the last simple trick, which is often the most difficult, is to provide the resources to see that this plan is activated. Often times the least costly of your public relations efforts are most productive.

Specifically, our function is: To spell out the educational objectives it is trying to reach; design a plan

One of the newspaper advertisements supplied in mat form to banks participating in the Georgia observance



which will see that those objectives are carried out, and, finally, see to it that you have enough resources, moral, monetary and spiritual, to go through with the plan.

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PERCY B. MENAGH, executive secretary, Savings Banks Association of New Jersey: The setup which any association wishes to accomplish will depend upon its size, the money that is to be raised for it, and the manpower with which to accomplish it. No one plan will hold good for a set form to be injected into each association.

Our association has a small number of banks and the heaviest concentration takes place in the northern part of the state.

The plan which we would have to adopt, and which we have adopted, is one to make the public conscious of what a mutual savings bank is.

Any plan which any association starts out on is one in which you should interest the public from an educational standpoint, whether it be from the commercial or mutual savings bank angle. Banks are servants of the public. As such the goodwill which any bank receives can best be accomplished by its state association's advice to see that the appropriate things emanate from the state association office in whatever type campaign your association might have.

#### **Washington Vice-president Dies**

Ben Johansen, who was elected vice-president of the Washington Bankers Association in June, died suddenly on July 18 at the age of 42. Mr. Johansen was eashier of the First National Bank of Enumclaw. He had been particularly active in the state association's agricultural and bank management committees.

#### **Internal Auditors**

THE INSTITUTE OF INTERNAL AUDITORS, INC., will hold its 10th annual conference in New York in October. President of the organization is V. Z. Brink of the Ford Motor Company.



"Know Your Bank Week, eh? . . . . Well, well, I guess this is as good a place as any to start getting acquainted."

## "Additional business has more than offset the cost"

XCERPTS from a letter from the vice-president and trust officer of a \$270,000,000 bank to another bank's trust officer:

"We have used Purse service about 5 years. It produces a good percentage of inquiries, and we have received a number of nice accounts that we feel can be directly attributed to that Company's help, together with a larger number of will appointments that have not yet become operative.

"The additional business that we have received (for which we feel The Purse Company is entitled to a large amount of credit) has more than offset the cost. We are now planning a new 2-year program with that Company."

The most inexpensive advertising that you can buy will be costly if it fails to get results.

A reasonable investment in Purse service should prove a very profitable investment for your Trust Department and your bank.

Without obligation, ask for more information.

#### THE PURSE COMPANY

Headquarters for Trust Advertising
CHATTANOOGA 2, TENNESSEE

#### BANKING NEWS

#### OPS Director DiSalle Answers Price Exemption Requests of A.B.A.

#### A.B.A. Objects to Interest-Dividend Withholding Bill

#### Would Hit People Not Liable for Income Tax

Proposals in the current tax bill to withhold 20 percent on dividends and interest payments on corporate bonds were attacked by the American Bankers Association in testimony given before the Senate Finance Committee, while hearings were being held on the bill.

The A.B.A. spokesman was Lee P. Miller, chairman of the Association's Committee on Taxation, who is president of the Citizens Fidelity Bank and Trust Co.,

Louisville, Ky.

"Since such withholding at the source of 20 percent from dividends and interest on corporate bonds will be made without regard to whether the recipient is liable for income tax or not, taxes will be withheld from many people who are not liable for income tax," he declared. "Thus many persons will have their income reduced by a fifth although no tax is due and will be unable to secure a refund until sometime after March 15 of the following year."

#### Committee Action

Mr. Miller called attention to the fact that the Ways and Means Committee of the House of Representatives eliminated from the bill the proposal to withhold 20 percent from interest on savings accounts and from interest on U. S. Savings Bonds.

"We heartily approve of that action," he said. "Such excessive withholding would require the filing of claims for refund by small taxpayers, many of whom would be bewildered by the procedure involved. Under those conditions, many just claims would not be filed, and the Treasury would have money (CONTINUED ON PAGE 90)



V. J. ALEXANDER, chairman, A.B.A. Supplemental Pension Fund Board of Trustees; president, Union Planters National Bank & Trust Co., Memphis, Tennessee.

Co., Memphis, Tennessee. (See pages 162-165 for other A.B.A. official family photos.)

## "You And Banking" Is Title of A.I.B. Orientation Text

#### Quickie Designed for Untrained Employees

One of the most serious problems facing banks, that of personnel turnover, will be met by the American Institute of Banking this fall with a new book called You and Banking, which can be used to orient and familiarize new bank people with the banking business through individual reading or group study.

The book is designed especially for the estimated 100,-000 young people who will enter banking in the coming year or so, and is expected to be the most important single contribution to the orientation of these people.

You and Banking is addressed to new employees both in fact and in spirit. It opens with a welcome and then takes the reader on a pleasant voyage through the banking business, at the end of which he has acquired enough information about the business to have a broad picture of what it is all about and how he can fit into it.

(CONTINUED ON PAGE 91)

#### Stabilizer Grants Some Trust Exemptions; Denies Exemption on Bank Service Fees

An administrative exemption has been granted by the Office of Price Stabilization (through General Overriding Regulation 14) for all trust service fees except real estate management service fees. However, the request for exemption for price control of commercial bank service fees was

denied.

Michael V. DiSalle's (director of Price Stabilization) ruling on the American Bankers Association's exemption requests is printed here in full in order that bankers may see the Association position and have at hand the full text of the official reply.

#### Mr. DiSalle Says "No"

"Under date of May 29, 1951, your Association submitted two requests for exemption from price stabilization, one dealing with trust services and the other covering bank service fees.

"With respect to trust services, you request that fees for executorships and administratorships. services as guardian, conservator and committeeship of minors and incompetents, trustee fees for personal trusts, agency, custody or investment advisory services, real estate management services, escrow services, services rendered in pension trust work, fees for corporate trusteeships, coupon and dividend paying agent, stock transfer, agency and registrarship services, be exempt by reason of the personalized tailor-made characteristics of such services and variations in local areas.

"With respect to your request for the exemption of bank service fees, you indicate that banks, since they are subject to the supervision of regulatory bodies, should be released from price stabilization much as insurance companies, railroads and other public utilities; that banks are custodians of the public's money; that bank services differ considerably from services tying in directly with commodities; that bank services are not of an inflationary nature; that in the rendering of bank services the major consideration involved is salaries and wages; that service charges are merely a measuring device to determine the amount of service the account is entitled to receive in return for the amount of the bank balance maintained; that while bank profits in the aggregate have been favorable during recent years, nevertheless there may be countertrends and weak spots therein: that service charges are of importance to small banks in particular: that the bank service fees for principal bank services are service charges on denosit accounts, service charges and other fees on bank loans, other service charges, commissions, fees and collection and exchange charges, safe deposit box rentals; that money deposit services are of a specialized nature; that banks should be allowed to break even on these services; that there be given due consideration to the exemption of bank services from price control.

#### Services Not Exempt

"Under the Defense Production Act of 1950 charges for all services not exempt specifically by such act or by way of administrative determination under section 402 (b), are subject to price stabilization. No statutory exemption is available for such trust service or bank service fees directly or for such bank service fees by way of analogy to the exemption applicable to rates charged by sellers or underwriters of insurance, railroads, or other public utilities.

"An administrative exemption for such trust service fees, except fees for real estate management services, has been granted by section 3 (a) (62) of General Overriding Regulation 14. No such exemption, however, is available for real estate management service fees, such

(CONTINUED ON PAGE 89)

#### A.I.B. Announces Seminar Theme for **Chapter Discussion**

"Present-Day Problems in Bank Operations" is the theme selected by the national office of the American Institute of Banking for discussion at chapter seminar sessions during the 1951-52 school year, according to Leroy Lewis, national educational director of the Insti-

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With a memorandum to the chairmen of the chapter forum and seminar committees. Mr. Lewis enclosed a forum and seminar outline; forum and seminar procedures (partial reprint of Chapter IX from the Speech Activities Handbook); film information bulletin; and material on how to organize finance forums for women.

Mr. Lewis advised chapter chairmen that information outlines are also available, upon request, on the follow-ing themes: (1) Our dual banking system: past, present. and future: (2) banking and public affairs; (3) problems in bank management; and (4) current economic problems.

Henry J. Albrecht, assistant manager, West Berkeley Office, American Trust Co., Berkeley, Cal., is chairman of the National Forum and Seminar Committee.

#### **OPS Denies Price Exemptions to Banks**

(CONTINUED FROM PAGE 88)

services being neither necessarily of a fiduciary character nor difficult of evaluation, and being of a character which could be rendered by any person managing real estate. Further, the grounds advanced in your request for the administrative exemption of bank service fees have the same general validity when applied to other services, whether or not tied in with a commodity.

"It appearing that certain trust services specified therein have been exempted from price control by GOR 14, section 3 (a) (62) and it not appearing that real estate management fees and bank service fees have only minor significance and slight effect upon the cost of living or that the control of such fees is either administratively impractical or not feasible.

#### **Revised V-Loan Booklet** Issued **By Association**

#### Includes New Claims Act Provisions

To keep banks abreast of recent additions and amendments to the Government regulations pertaining to the guaranteeing of defense loans, the Credit Policy Commission of the American Bankers Association has published and now has available to all banks a revised booklet, "Defense Loans— Regulations on V-Loans." The booklet was announced recently by Kenton R. Cravens, chairman of the Commission and vice-president, Mercantile Trust Company, St. Louis.

The new publication is a revision of a booklet prepared by the Commission last September at the time the V-loan program was instituted. Like its predecessor, the booklet contains the procedure to be used in making loans under the defense loan program; two forms prescribed by the A.B.A. to be used in loans of this type; and the guaranty fees, in-terest rate provisions, and commitment fees. All of this information has been brought into line with changes in the regulations since the original book.

In addition, the revised edition contains provisions of the Assignment of Claims Act of 1940, as amended; an explanation of the amendment of May 15, 1951, to this act; and the provisions of the Renegotiation Act of 1951. A section of miscellaneous information has also been added which includes discussion of the amendment of Regulation A by the Board of Governors of the Federal Reserve System, standard "no set-off" clause in contracts of the Department of Defense, purposes of loans, and the ruling for tax purposes of borrowed invested capital.

now therefore, your requests for the exemption from price control of trust service fees and charges and bank service fees and charges are herewith denied except to the extent exempted by GOR 14, section 3 (a) (62)."



#### **School Bells Are Ringing** FOR BANK FOLKS, TOO!

Yes, YOUR Banker, whether he be Teller, Stenographer, Messenger, Transit Clerk, Bookkeeper or Officer is going to school! In order to serve you better . . . he's enrolling in classes of the Oklahoma City Chapter of the American Institute of

Fundamentals of Banking, Commercial Law, Negotiable Instruments, Economics, Accounting and Effective Speaking are a few of the courses offered by the A. I. B. For 50 years, local educational chapters throughout America have advanced banking education and service.

AMERICAN STATE BANK CENTRAL STATE BANK CITIZENS STATE BANK CITY NATIONAL BANK & TRUST CO. FEDERAL RESERVE BANK FIDELITY NATIONAL BANK FIRST NATIONAL BANK & TRUST CO. LIBERTY NATIONAL BANK OKLAHOMA NATIONAL BANK

STOCK YARDS BANK



A kit of 12 bank ads used effectively to tell the story of banker education through A.I.B. study has been made up by the national office of the American Institute of Banking. A sample kit has been sent to chapter officers and publicity chairmen so that they may check with their local banks to see if they would like to adapt one or more of the ads to local use. Above, an ad used by a group of Oklahoma City banks last year

#### Check List to Recent A.B.A. Mailings

ing A.B.A. material was of agriculture. On advice mailed to member banks, from directors, study will be state secretaries, etc., as in-

ADVERTISING: Folder of the Month, To Home Owners-a repair and modernization loan folder. To member hanks.

AGRICULTURAL CREDIT: Letter to state secretaries calling attention to Family Farm Policy Review, published by USDA, reference to special credit facilities under Defense Production Act.

Study of farm credit situation in each state. To Agricultural Commission, Subcommittee on Agricultural Credit, members.

During August the follow- | and directors of state colleges mailed to county agents.

DEFENSE LOANS: Defense Loans - Regulations on V-Loans booklet. To 1,600 largest banks and miscellaneous.

STATE LEGISLATION: Summary of Provisions of Five Day Bank Week Legislation. To State Legislation Committee, Council, and state secretaries.

TRUST SERVICES: Circular describing Stephenson's studies, 4th series, and bound volume of Trust Bulletin 1950-1951. To Trust Division

September 1951

#### A.B.A. Objects to Interest-Dividend Bill

(CONTINUED FROM PAGE 88)

to which it would not be entitled. More important, withholding on savings interest and on United States Savings Bonds would tend to discourage such accounts and discourage the purchase of Savings Bonds at a time when it is highly important that saving be encouraged to check inflation."

In the case of "dividends in kind" (roughly dividends paid in stock of affiliated or subsidiary companies), he pointed out that the paying agent would have no money with which to satisfy the This, he said, would tax. require the paying agent to secure a ruling on the value of the dividend, inform the stockholders of the amount of tax they would have to remit, and secure the remittance before the dividend could be released. Exempt organizations who are not required to pay any tax would have to raise money to pay the tax on such dividends even though the tax would be refundable, he added.

The filing of information returns on interest payments on coupon bonds as required in the bill would be especially troublesome and costly to banks, Mr. Miller argued. Most bonds now outstanding are coupon bonds, he said, which are presented to banks without any identification of owners. Under existing law, no information returns are required to be filed.

The information return provisions in the pending bill would require the furnishing of ownership certificates by bond owners to the banks to whom they present their coupons, and such certificates would have to accompany coupons all the way through the chain of correspondent banks.

Mr. Miller called the Senate Committee's attention to the fact that a coupon is a negotiable instrument payable to the bearer. If the information system contemplated in the bill were to be made workable, it would be necessary for the law to give paying agents clear protection against refusing to pay coupons because not accompanied by proper ownership certificate. Also, instead of requiring paying agents to list all payments to the same owner during the year, it should not go beyond the filing of ownership certificates with the Commissioner of Internal Revenue.

On Savings Bonds, the Treasury is already receiving full information on redeemed bonds, he noted.

In the light of these difficulties, Mr. Miller objected to the liberalized provisions of the bill for requiring the filing of information returns with the Treasury on interest payments.

#### **NEW MEMBERS**

ARIZONA: Miners and Merchants Bank, Army Branch, Fort Huachuca\*.

CALIFORNIA: Valley National Bank of Alhambra, Main Office; and Valley National Bank of Alhambra, 9th & Valley Office.

GEORGIA: Citizens & South Emory Bank, Emory University\*.

INDIANA: Citizens National Bank, East Side Branch, Evansville; and Citizens National Bank, North Side Branch, Evansville\*.

KENTUCKY: Clinton Bank, Clinton; First National Bank in Clinton; Bank of Farmington; and Planters Bank of Trenton.

MAINE: First-Auburn Trust Company, Brunswick

Branch\*

MASSACHUSETTS: Brookline Trust Company, Chestnut Hill Office\*.

NEW YORK: Bank of Belfast, and Bayside National Bank of New York, Oakland Office, Bayside.

OHIO: Elyria Savings and Trust Company, Avon Lake Branch\*.

PENNSYLVANIA: Conestoga National Bank, Millersville Branch, Millersville\*,

TENNESSEE: First National Bank, Gatlinburg\*.

TEXAS: Sunray State Bank\*.

UTAH: Commercial Bank of Utah, Duchesne Branch\*.

WASHINGTON: Othello State Bank\*: Peoples National Bank of Washington in Seattle, First Hill Branch\*; Peoples National Bank of Washington in Seattle, South Seattle Branch\*; Central Bank, K Street Branch, Ta-coma\*; and Puget Sound National Bank, K Street Branch, Tacoma\*.

#### Dr. Audley Stephan | Vocational Education Lost on Army Plane Headed for Okinawa

#### Associated with G.S.B.: On Rutgers Faculty

Dr. Audley H. Stephan, head of the Department of Finance at Rutgers University and associate director of The Graduate School of Banking, was one of the 38 passengers aboard the Army DC4 which disappeared along the Alaska coast on Saturday, July 21, while en route to Tokyo.

Dr. Stephan was on his way to Okinawa where he was to help the Army set up a monetary system for the island. He had been in Japan with Joseph M. Dodge, former A.B.A. president and president of The Detroit Bank, where he was engaged in helping balance Japan's postwar occupation budget.

Dr. Stephan had been associate director of The Graduate School of Banking since July 1950, when he succeeded Dr. Eugene Agger.

He held an A.B. from Princeton, and an M.A. and a Ph.D. from the University of Pennsylvania. He had spent a year in the New Jersey State Department of Accounts, nine years Chairman of Accounts for the State Budget Committee: from 1933 to 1937 he was chief accountant and deputy of the State Budget Commission, and in 1937 was made head of the Commission. He joined the Rutgers University faculty in 1946.

Because of work he did in the finance section of the Army, he was commissioned to set up the budget for the Italian Government when the Allies occupied Rome. He was a Colonel in the Army; but, while he was on Army duty when the plane was lost, he was listed as a civilian.

#### 16 MM Film Shows **Employee Advances**

#### Bank On-the-Job Training Emphasized

A Future to Bank On, the new one-reel 16-mm, talking picture produced by the Public Relations Council and the Department of Customer and Personnel Relations of the American Bankers Association, is another step in the A.B.A.'s program of vocational education. It shows how an employee advances in a bank.

Filming of the picture has just been completed, and editing and laboratory processing are now in progress. It is expected that the film will be released in the fall.

A minimum of professional acting talent has been used, and most of the people in the picture are real bank employees doing their daily jobs. It shows the insidethe-bank story of various jobs and the employment and training opportunities available in banks.

Prints of the new film are intended to be distributed to clearing houses and banking groups for use in their local high schools, vocational classes, and study groups of the American Institute of Banking, and before similar audiences. The film emphasizes the fact that banking is one of the few business enterprises which encourage on-the-job training leading to the advancement of the individual employee.

Through courses offered by the A.I.B. and advance work in The Graduate School of Banking, sponsored by the American Bankers Association at Rutgers University, a high school graduate employed in a bank has an opportunity to secure the equivalent of a college education.

#### **Bank Loan Advantages Reprint**

A recent article on the advantages of borrowing from a bank rather than from Government lending agencies, entitled Need Money, authored by Berton Braley, and appearing in The American Legion Magazine, has been reprinted by the Public Relations Council of the

The purpose of reprinting this article is to make it available to state bankers associations which are sponsoring "Know Your Bank Week" programs.

Three associations-Georgia, Nebraska, and Pennsylvania-are currently conducting these educational programs.

<sup>\*</sup> Newly organized.

#### "The Woman and Her Bank"-A New A.B.A. Piece for Direct Mail

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#### Helen Knox, Author-Ex-Banker, Co-Author

As every banker knows, more and more of the banking business in this country is being done by women, says the Advertising Department of the American Bankers Association. In the foreword to a new booklet. The Woman and Her Bank, the Department adds: "The woman is very often the family money manager."

The new 23-page booklet is intended for distribution by individual banks to women customers, to participants in women's finance forums, and to members of women's clubs. Miss Helen Knox, a banker with long experience in advising women on money matters, collaborated with the Advertising Department in writing the booklet. She is well known as the coauthor of Moneywise, money management book for women.

In The Woman and Her Bank, Miss Knox points out that from the average woman's point of view, there are five banking services that are particularly useful. They are checking accounts, thrift accounts, loan services, safe deposit boxes, and traveler's The woman her bank



Direct mail piece cover

checks. "A checking account is in the forefront of these," she says.

The booklet explains in easy-to-understand detail about the advantages of checks, how to make de-posits, how to draw checks, and the kinds of endorsements, and gives other pertinent information. It also explains about thrift accounts, types of bank loans and their uses, safeguarding valuables in safe deposit boxes, etc.

The booklet will be imprinted with a name and an advertising message from the bank which distributes it locally.

#### "You and Banking," New Orientation Text

(CONTINUED FROM PAGE 88)

The objective of the book is to interest the newcomer in his job as a career at the outset and thereby reduce turnover at the point where it is heaviest; and, on top of that, to condition these new people for study in the Institute's formal educational courses.

The lively 79-page book may be purchased directly by banks as well as by Institute chapters and study

You and Banking is the product of two years of study. It began in the summer of 1949 when A.I.B. leaders asked bank officers at the senior management level to tell them in what way the Institute could increase its services to the banks. This was done at a series of regional conferences attended by some 700 bankers. The unanimous reply was a request that a series of "quickie" courses be created for beginners in banking, especially a short course which would orient them to the husiness.

Ten bankers undertook to prepare material on the various aspects of banking. This and much more material was given to J. Stanley Brown, vice-president and director of personnel of the Chemical Bank & Trust Company, New York City, who wrote the interesting and inviting book

which is You and Banking. While the book is written so that it can be read with interest and pleasure by any one, it is planned as the foundation of a short course which the Institute will conduct in its chapters and study groups or, if preferred, in any bank. An instructor's guide has been written to facilitate the presentation of the course wherever conducted.

You and Banking attempts to answer the two biggest questions facing a new employee: "How does a bank work?" and "How can I get ahead in the business?"

Part I consists of eleven short chapters. The first three chapters in this group discuss the general philosophy of the banking business and, for that matter, of the entire American enterprise system, and speak straight-forwardly of the opportunities in bank work for the beginner.

Part II is a personal talk with the new employee on the characteristics of a successful banker. Written along "how to do it" lines, this section discusses personal salesmanship, formal and informal education, teamwork, self-confidence, etc.

The book is illustrated with a number of charts in color by Charles Lofgren, a well known artist in the field.

#### **CALENDAR**

#### Anniero Deulese Associati

	AN	merican Dankers Associatio	m
Sept.			**
	Oct. 3	77th Annual Convention, Ste Chicago, Illinois	vens Hotel,
Oct.	17-19	Western Regional Trust Con Francis Hotel, San Francisco	

Nov. 8- 9 Mid-Continent Trust Conference, Drake Hotel, Chicago 3-5 National Credit Conference, LaSalle

Dec. Hotel, Chicago, Illinois

#### State Associations

Sept.	9-13	Tennessee Bankers Conference, Univer-
		sity of Tennessee, Knoxville
Sept.	23-26	
<b>a</b> .	00.00	Portsmouth, N. H.
Sept.	23-26	Massachusetts Savings, Wentworth-By-
		The-Sea, Portsmouth, N. H.
Oct.	3- 5	New York Savings, Lake Placid Club,
		Lake Placid
Oct.	11-12	Nebraska, Fontenelle Hotel, Omaha
Oct	16-17	Connecticut Savinge Mountain View

House, Whitefield, N. H. Kentucky, Brown Hotel, Louisville Iowa, Des Moines

Oct. 21-23 21-24

#### Other Organizations

Sept.	 38th Annual Convention Mortgage Bank- ers Association of America, Mark Hop-
	kins and Fairmount Hotels, San Francisco, California

Sept. 27-30 Annual Convention of the Association of Bank Women, Hotel Sheraton, Chicago

7-10 Robert Morris Associates, Waldorf-As-Oct. toria, New York

Oct. 19-20 Western Secretaries Conference, Salt Lake City, Utah

Oct. 21-24 31st Annual Meeting of the Consumer Bankers Association, Edgewater Beach Hotel, Chicago

Oct. 22-25 National Association of Bank Auditors and Comptrollers, 27th Annual Convention. New Orleans. La.

Financial Public Relations Association, Nov. 12-15 Hollywood Beach Hotel, Hollywood,

Dec. 9-11 Southern Secretaries Conference, Biloxi, Mississippi



At this strategic location, our Day-and-Night
Transit operation provides swift service. Our many
offices and west-wide relationships offer unusual

AMERICAN
TRUST
COMPANY

BANKING
Since 1854

Cash on Hand and in Banks

Other Bonds and Securities

Loans and Discounts

Other Real Estate

Other Assets

U. S. Government Obligations

Stock in Federal Reserve Bank

Bank Premises and Equipment

Credit and Acceptances

Accrued Interest Receivable and

Total Resources

State, County, and Municipal Bonds

Customers' Liability under Letters of

facilities for collection.



Member Federal Deposit Insurance Corporation • Member Federal Reserve System

#### Statement of Condition - June 30, 1951

#### RESOURCES

\$ 204,860,189.91 288,186,521.29 51,587,338.28 11,032,442.39 1,211,150.00

492,051,890.05 9,622,107.42 1.00

12,074,087.63

5,366,565.31 \$1,075,992,293.28 LIABILITIES

\$1,001,606,954.85 Letters of Credit and Acceptances 12,085,374.63 Reserve for Unearned Discount 4,356,649.83 Reserve for Interest, Taxes, etc. 7,308,347.13 Other Liabilities 2,260,599.54 Capital Stock Preferred \$ 5,816,600.00 Common 12,438,660.00 Surplus 22,116,160.00

Undivided Profits 22,116,160.00 8,002,947.30

Total Liabilities

48,374,367.30 \$1,075,992,293.28

United States Government and other securities carried at \$153,453,016.36 are pledged to secure U. S. Government Deposits, other public funds, trust deposits, and for other purposes as required or permitted by law.

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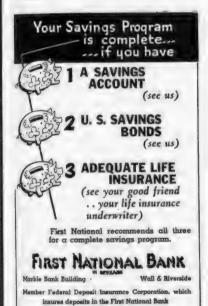
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The author is vice-president of the First National Bank, Spokane, Washington.

advertising dollars appeals to most of us in the banking business. Yet, when a "three for one" offer is made, we immediately become wary and look for the "catch."

The First National Bank in Spokane recently ran such a "triple value" savings campaign and found no "catch." Instead, the bank considers it the most resultful advertising money it has ever spent.

The campaign was based on the theme:



All of First National's advertising time and space for the full month of July were used for the campaign. It was based on a series of four newspaper advertisements, each of which appeared in the two Spokane newspapers.

up to a maximum of \$10,000,00

On station KSPO the bank has a daily newscast. On KHQ it uses spot announcements, and it participates in an extremely popular local "give away" program called "The Money Man." On KGA it sponsors a half-hour local talent musical program called "Serenade in the Night."

All these were used to carry out the theme, and the following is typical of the commercials used:

Will Rogers once said of life insurance: "You've got to buy it not

## A "Triple Value" Savings Ad Campaign

J. F. CORNELIUS

when you want it but when you don't want it, and if you don't think you need any, why, just try dying sometime without it"... Very true, and one of the chief reasons that four out of five United States families are now using life insurance as a part of their family financial planning. Note we said "part of their family financial planning": a vital part, but still—a part!

In America of 1951 you need a three-plank platform for an adequate savings program—a savings account at First National Bank for a sure steady 2 percent rate of interest, plus the advantage of having a fund into which you can dip in case of emergency. So, item 1—a savings account at 2 percent interest... Second—invest regularly in United States savings bonds! You earn interest and you're investing in your country's future, in the

future of you and your children . . . Finally-you should have an adequate, well planned life insurance program, for life insurance is actually part of the expense of living. See your good friend, your life insurance underwriter, for your insurance needs. Talk to First National Bank in Spokane about a savings account with 2 percent interest and U. S. Savings Bonds. First National, a member of the Federal Deposit Insurance Corporation, is conveniently located in the Marble Bank Building at Wall and Riverside in Spokane.

On the "Serenade in the Night" broadcast, each program is being dedicated to one of the bank's valued customers. This consists of a dedicatory sentence or two at the beginning of the program and a 1½

(CONTINUED ON PAGE 153)

Spokane business men who worked together on the savings advertising campaign described here by Mr. Cornelius. Left to right: Edward C. Curtis, president, Spokane Life Underwriters Association; C. A. Gladder, SLUA publicity chairman, Mr. Cornelius; Lamont R. Johnson, former SLUA president



## There's No Excuse for Stuffy Letters

WILLIAM H. BUTTERFIELD

The author has written more than a dozen books on correspondence, including Effective Personal Letters and Tested Credit and Collection Letters. He contributes frequently to BANKING.

P-TO-THE-MINUTE dictating machines, electric type-writers, postage meters—these are a few of the modern correspondence devices that banks use every day. All are designed for speed and efficiency in letter writing.

The equipment used in bank correspondence has improved rapidly during the past decade. The mechanics of letter writing have reached a high level of efficiency. But what about the actual letters that go to bank customers each day? Are they substantially better than those of 10 years ago?

Unfortunately, they are not. Improvement in the quality of bank letters has by no means kept pace with progress in correspondence equipment. Too many bankers are still clinging to obsolete methods—resisting the same efficiency trend that they welcome in other banking operations.

The most common of these outmoded correspondence methods is also the most wasteful. It is the constant use of hackneyed, threadbare expressions. These old correspondence "chestnuts" clutter a letter with meaningless words. They make the message long, cumbersome, and dull. Often, too, they make it hard to understand.

Even more serious, from a public relations standpoint, is the psychological effect of these hackneyed phrases upon the reader. He pictures the writer as a "pompous old goat" devoid of human feelings—a mechanical man using mechanical language.

The first requirement of good public relations by mail is a warm, friendly tone. Personality is important in correspondence, just as it is in direct contact with customers. A friendly letter stimulates the reader's enthusiasm; but a stiff, cold letter leaves him indifferent.

Why is it, then, that so many bankers persist in writing letters in language like this:

#### Dear Sir:

It has come to my attention that you have recently opened an account at the Jones National Bank.

On behalf of the bank officers and other personnel, I should like to take this opportunity to welcome you and to advise you that your valued patronage is appreciated.

For your information, please find enclosed a statement of the various services which this bank is in a position to render for the convenience of its patrons. Kindly be advised that each opportunity to serve you will be duly appreciated, and that your banking requirements will receive our prompt and courteous attention at all times.

Again welcoming the privilege of serving you, and thanking you in anticipation of your future favors, I am, Yours very truly,

The man who wrote that letter is probably human, but he conceals this quality just as carefully as if it were a weakness. Would such a letter of welcome make you feel very much at home?

If a bank officer takes time to welcome new patrons by letter—an excellent public relations opportunity—then he should also be sure that his message builds good will and confidence. He should write a friendly, informal note that has the "ring of sincerity. Here is an example:

#### Dear Mr. Robbins:

The opening of your account at the Jones National Bank pleases us very much. This is just a note to welcome you, and to thank you for your confidence in us.

The enclosed folder describes various services which may help to make your banking more convenient. Please make use of any that will be helpful to you.

I hope you will call upon me, or upon any of our officers, whenever we can be of assistance to you.

Sincerely.

This cordial note, containing 78 words, develops

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goodwill on the part of new bank patrons. The preceding message, containing 120 words, fails completely in its effort to accomplish the same objective.

The habitual use of trite, "rubber-stamp" phrases is the most damaging of all correspondence faults. These hackneyed expressions are dull and wordy. Many of them are completely meaningless. Let's analyze a few in the light of ordinary common sense:

- at an early date—This means soon or shortly. Why not use one word instead of four?
- at the present writing-A pompous, wordy expression that means now.
- beg to acknowledge (or advise, announce, assure, inform, inquire, remain, request, state, etc.)—Silly, meaningless prattle. Beggars use tin cups, not business letters.
- for your information I might point out—Why waste words on the obvious? Whatever one points out in a letter is for the information of reader.
- I hand you herewith—A stuffy term meaning I enclose or enclosed is.
- I should like to take this opportunity to thank you for— The first eight words are superfluous. The writer should begin: Thank you for... Then it becomes obvious that he took the opportunity.
- in the near future—This means soon. Why use four words when one serves the same purpose?
- permit me to state—A meaningless expression, since the writer has no intention of awaiting permission.

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your letter of recent date has come to hand.—Nine useless words. If the letter in question had not "come to hand," how could it have been answered?

Is it any wonder that this kind of nonsense bores the reader and insults his intelligence? Is it surprising that he loses respect for the writer whose vocabulary is limited to redundant parrot-talk?

A natural, simple style of writing is essential to good bank correspondence. It imparts to letters a friendly tone and a directness of expression that bespeak sincerity on the part of the writer. It also eliminates the wastefulness of useless words and makes letters easy to read.

Even the bank correspondent addicted to pompous, timeworn phrases can overcome this fault and learn to write friendly, human letters. The use of these cliches is largely a matter of habit. The habit can be broken by a sustained effort to avoid the wordy examples already analyzed, as well as the "Rubber-Stamp Expressions" shown in the adjoining column.

Those who really want to write good letters will find such an effort rewarding. The quality of their correspondence will begin to improve at once—in tone, word economy, clearness, and persuasiveness. Their letters will begin to reflect personality and friendliness.

But those who are satisfied with the business-letter jargon of horse-and-buggy days—and cling to their pet cliches—will still rattle on in the same old way:

I wish to advise and beg to state
That yours has arrived of recent date.
Since contents of same were to me addressed,
I hasten to answer your valued request.
Herewith enclosed is the data you mention;
I hope it will merit your kind attention.
Your prompt reply, please permit me to state,
Should be sent to the writer at an early date.
So I hope you will not delay it unduly,
And I beg to remain, yours very truly.

#### Here Are Fifty Common

#### "RUBBER STAMP EXPRESSIONS"

to Avoid in Bank Letters

as per your request at the earliest possible date at your earliest convenience avail yourself of the opportunity awaiting the pleasure of a reply contents duly noted deem it a privilege do not hesitate to inform me enclosed please find favor us with your account hoping this meets with your approval I note from our records in accordance with your wishes in connection therewith in reference to the above in regard to this matter in reply would say in this connection please note it has come to my attention kindly advise at an early date kindly be advised kindly fill out and return same kindly inform us of your wishes may I take the liberty merit your kind attention please advise accordingly please be advised please be assured please favor us with your check pursuant to yours of recent date referring to yours of the 15th regret exceedingly to advise take pleasure in announcing thanking you for your interest thanking you in advance the privilege of serving you the undersigned the writer this is to advise you this is in reply to under separate cover we shall endeavor to merit wish to call your kind attention wish to say in reply with your kind permisssion your communication of recent date your kind indulgence your prompt attention your valued request yours of recent date revealed

#### How to Soothe a Customer

A Short Play by Jay Sanders

CAST: Narrator

Bank teller Bank officer

Mr. Barrows, customer

Mr. Cooper, customer

Scene: Narrator is downstage, right. Teller's window is center stage right, officer's desk and two chairs are center stage left. At opening curtain, teller and officer are in their places, quiet. Narrator is in his place.

Props: Something to represent teller's window. Desk and two chairs. Two checks, currency, two pens.

NARRATOR (talking directly to audience): A satisfied customer is a good advertisement, and, in order to keep your customers satisfied, you must be prepared to handle complaints. You've all heard it said that "The poor we have always with us." Bankers could change that to "Complaints we have always with us," and it would be very true. If statistics were computed on the number of complaints made in a normal banking day, the figure would probably be quite high. You've all heard them. Such things as, "Why can't the teller make out these deposit slips?" "Your service charges are unreasonable." "Why must I endorse this check made out to cash, when you recognize and know me?"

Of course, for every complaint there is an answer, an explanation that will satisfy the customer. Let's look in, as invisible visitors, on a bank. Any bank will do, because complaints are generally the same. (Turns slightly to his left and looks at scene on stage as Barrows enters from left, goes to teller's window, pantomimes conversation with teller, and hands check to him. This happens while Narrator concludes speech.) The doors of the bank have opened and customers have begun to come in. Another day of banking operations gets underway. Let's tune in on the conversation at the teller's window.

Barrows (aloud as Narrator finishes): I've made out this check payable to cash.

TELLER (looking at check and handing it back): All right, Mr. Barrows, will you endorse it, please?

Barrows (taking check back): This always seems like a waste of time to me. Why should I have to endorse it? You know who I am. You spoke to me when I came in.

TELLER: It does seem like a waste of time, doesn't it, when I know you. However, we don't always know our customers, and in those cases we must have an endorsement. As you know, for a rule to be really effective, it should apply to everyone.

Barrows: Yes, that's true. I wouldn't want you to make a special exception in my case. That wouldn't

"It does seem like a waste of time, doesn't it . . ." "The other customers b

"Good morning, Mr. Cooper.
Is something wrong?"







be fair to others. (Endorses check, hands it to teller.) There you are.

NARRATOR (as he speaks Teller takes check, counts out money. Barrows takes money, exits stage left): We tuned in just in time to hear a complaint that is either made or implied every day. The teller has heard the complaint often, and he had an answer ready which satisfied the customer. It isn't a bad idea to have a stock answer ready for the complaints you hear every day. (Looks over at teller's window as Cooper enters stage left, goes to teller's window, pantomimes conversation, hands over check. Teller gives it back. Cooper begins speaking when narrator finishes.) Another customer has come in. Let's tune in again and see what's happening.

COOPER: I don't see why I have to endorse this. It's made out to cash. I'm here in person to cash it, and you know me quite well.

TELLER: It does seem like a waste of time, doesn't it, when I know you? However, we don't always know our customers, and in those cases we must have an endorsement. As you know, for a rule to be really effective, it should apply to everyone.

COOPER (bluntly): Why?

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TELLER (at a loss): Well—I—well, you wouldn't want us to grant you special favors, would you?

COOPER (emphatically): Yes! I certainly would! I'm a good customer here. Why shouldn't you grant me a few privileges?

TELLER (fumbling): Uh—well—it wouldn't be fair to the other customers.

COOPER: The other customers be damned! I don't care how much of their time you waste, but I do care about mine! My time is valuable, and these stupid rules you have waste it.

TELLER: Uh-uh, well, I'm sorry, Mr. Cooper, but it is a rule, and one which we must enforce.

Cooper (fuming): All right, all right, I'll endorse it. (Endorses check, muttering under his breath, furious. Hands check to Teller. Teller hands him cash.)

NARRATOR (as COOPER and TELLER pantomime): Well, the teller's stock answer didn't seem to work. He's been using that answer for months, and it's always worked before. Why not this time?

(COOPER turns away and starts out, stage left.)
OFFICER (having observed the incident, rises and

"The rule is really for the benefit and safety of our customers."







meets Cooper. Is something wrong?

COOPER (still angry): Why aren't you over at your desk thinking up some more stupid rules for this place?

OFFICER (smiling): I couldn't help overhearing your conversation just now, and I'd like to explain that rule a little further, if I may.

COOPER (surcastically): Why not? I've already wasted half the morning here; might as well waste the rest of it. I'd like to hear you try to explain a rule as stupid and asinine as that one.

OFFICER (escorting Cooper over to the desk): Let's suppose for a moment that we didn't have that rule, and suppose that, after making out a check to cash at home, you lost it. Anyone finding it could bring it in and cash it. With no endorsement required, you wouldn't be able to prove that you yourself hadn't cashed it. We would be paying out your money to an unauthorized person. You wouldn't want that to happen, would you?

COOPER: My money? No, no, of course not!

OFFICER: When you got your statement and cancelled checks there would be no way for you to know who cashed those checks made out to cash. However, with your endorsement on them, you can be sure that you got the money for them.

COOPER (weakening): Yes, I can see that.

OFFICER: The rule is really for the benefit and safety of our customers.

COOPER (seeing the light): Yes, when you put it that way, I can see it. (They rise.) Thanks for explaining it to me. Good day.

OFFICER: I'm glad I was able to. Good day Mr. Cooper.

(Cooper exits stage left.)

NARRATOR: Fortunately, the bank officer was alert to what was happening and prevented a very dissatisfied customer from remaining that way. (pause) A stock answer for a frequent complaint is not a bad idea—provided you are not limited to that answer alone. The teller was obviously unaware of the individual differences in people. The officer was aware of this, and fitted his explanation to the individual. In handling complaints, stock answers are not enough. No matter what the complaint may be, you must be aware of individual differences and fit your explanation to the individual.

CURTAIN

Other plays by MR. SANDERS have appeared in recent issues of BANKING and are available for use in staff training programs



### BACKING UP THE PLAY

Recognize it? The pitcher backs up the catcher as the ball whips home. Teamwork like that makes champions ... keeps them ahead in any league!

Teamwork is important in business, too, particularly in today's rearmament economy. When a banker lends funds to a manufacturer, the insurance man backs up both by providing *sure* protection against the many uncertainties and risks facing business today.

For over 65 years American Surety Company, through a nation-wide network of agents, has specialized in protecting America's banks and industries. This long experience can help you to work out the unusual insurance problems currently connected with your service to customers. Call our agent in your community today . . . he'll be glad to make the necessary arrangements.

### AMERICAN SURETY

100 Broadway, New York 5, N. Y.

FIDELITY . SURETY . CASUALTY . INLAND MARINE . ACCOUNTANTS LIABILITY





#### The United Red Feather Campaign

PERHAPS more than anyone else in a community, the banker worries about the financial health and stability of our country," says A. J. Gock, chairman of the board of Bank of America and vice-chairman, United Red Feather Campaigns of America. "What is good for the national economy is of prime concern to him. He knows that only the sum of individually sound communities can maintain our country's total strength. And he knows that community stability depends on sound structure and stable organization in every local financial operation.

"When the banker sees an organization in his community which embodies principles of sound business; which has time-tested stability; whose budget and expenditures are guided by men experienced in finance; and whose total purpose is serving the community, the banker recognizes at once that here is something meriting his full support.

"The United Red Feather campaign is such an organization. It is soundly based on more than 30 years of Community Chest experience. And now the principle of federation, which makes such good

(CONTINUED ON PAGE 100)

#### The World's Biggest Power Merchant!



He's the equipment supplier for the world's biggest buyer of power—the American farmer! For agriculture in its various forms is our biggest business. It employs more power in the form of tractors, engines, electric motors, etc., than all other industries.

And, here's a dealer who represents the firm that founded the tractor industry... that has been a leader in the design and development of agricultural machinery for more than 100 years. Today, for example, The Oliver Corporation produces one of the most modern

fleets of prime movers for the farm. For only Oliver offers a tractor with this combination of practical, farmutility features: power take-off with independent clutch, torsional rubber spring seat, 6-cylinder engine, six forward speeds and "Hydra-lectric" controls.

It's the power in this perpetual parade of equipment to millions of farms and the never-ending stream of Oliver advancements that help keep an Oliver dealer's business strong. The OLIVER Corporation, 400 West Madison Street, Chicago 6, Illinois.

#### OLIVER

OLIVER

"FINEST IN FARM AND INDUSTRIAL MACHINERY"

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#### Modern Banks Save Up to 45% in Active Record Costs with ROL-DEX by WATSON!



ROL-DEX Central File in Credit Department of First American National Bank

#### Others Have ... Your Bank Can Too

The First American National Bank of Nashville, Tennessee, has just remodeled the main office building with Watson equipment. Modern and efficient, their ROL-DEX Central File will pay for itself in savings because:

Less operating cost per filing inch.

No noise! Increases office efficiency. ROL-DEX by Watson rolls on silent

No expensive upkeep! All cards are accessible at all times.

ROL-DEX will handle anything from 5000 cards to millions. Available in one or more units.

Pat. and Pats. Pending



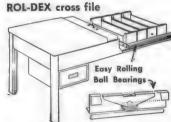
No stooping, walking, squatting. Records roll to seated operator.

ROL-DEX will be displayed

at the

National Stationers' Convention

Chicago, Sept. 22 to 27.



Write for further information on ROL-DEX to:

#### ROL-DEX DIVISION

of Watson Manufacturing Company, Inc.

Jamestown 8, N. Y.

(CONTINUED FROM PAGE 98) business sense, is further demonstrated in the new United Defense Fund. Inc., which has been created this year to meet emergency human problems created by our national defense mobilization.

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"Community Chests all across the country are assuming the responsibility of raising the money for the United Defense Fund, in addition to their regular obligations. It is a local community job to support the USO, the United Community Defense Services, and American Relief for Korea.

"It is a job which bankers may back with full strength and confidence. Many bankers have been instrumental in the formation of the United Defense Fund, and now serve on its board, or as state chairmen. Many of you serve on Community Chest boards, budget committees. finance committees.

"The Red Feather goals will probably aggregate more than \$225,000. 000 this fall. It's a lot of money. Let's each do everything in his power to make his own community's united campaign a complete success this fall."

#### By the Way-

A man may have an open mind with nothing taking advantage of the opening.

When plastic bone surgery gets so it can transfer bone from the head to the back, the human race should advance even faster.

"Heaven is not reached in a single bound," says the poet. Except in the path of a speeding car.

In some small modern homes you get everything except a family.

The scientists' idea that space is matter tells a great deal about some people's heads.

Some day a smart builder will put rubber walls in the back of garages.

An honest man is one who doesn't lie about anything except his golf score, his income and the size of the fish he caught.

#### Methods and Ideas

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(CONTINUED FROM PAGE 43)

circulated a four-page folder, illustrated with informal pictures, which invited the public to "get acquainted with our new name and get better acquainted with us." It also said: "Get acquainted, too, with what our community means to Security Bank."

Copy covered the bank's services, and invited people to drop in. "We are never too busy to take a few minutes to hear your problems, whether you come to seek advice, to get an opinion on the advisability of a certain community program, or to get our ideas on the value of a piece of property. Officers and employees of Security Bank are active in all programs for community betterment. . . All these things are as much a part of our every-day business as opening a new account or making a loan."

Several of the bank's community activities were briefly described.

#### "Thanks for Everything"

COMMERCIAL STATE BANK of Pocohontas, Iowa, said a practical Thank You to its customers on its 25th anniversary. It offered them 50 free personalized checks.

The offer was made in a letter from President Charles E. Watts who expressed the bank's appreciation for the "friendship and confidence" of its friends during the quarter-century.

"In seeking a way to say "Thanks for Everything'," he continued, "it occurred to us that you might appreciate some personal checks imprinted with your name, and a fine



The National City-Bank of Cleveland is having a successful out-door poster campaign this year built around the slogan "Big—but friendly!" The 40-board showing is changed every six weeks.

carrying case also bearing your name. If you would like to have these special checks and case, we would like to send them to you with our compliments."

A return postcard was enclosed. The bank got a 50 percent acceptance of its offer.

In further observance of the anniversary, July 3, COMMERCIAL STATE published a full page newspaper ad thanking the public for its "loyalty, patronage and inspiring confidence in us." The copy included a tribute to the nation's 175th birthday.

Identification cards and address books for the ladies were distributed.

#### **Shopping Center Bank**

THE FRAMINGHAM (Massachusetts) TRUST COMPANY will provide complete banking service in "Shoppers' World," a new \$6,000,000 shopping center located in the heart of the third largest retail trading area within a 40-mile radius of any American city.

The bank is one of 44 businesses that expect to receive the public on September 20 when the center is ready. Half a dozen stores will open in six months, and other are planned.

The trust company, like the other business establishments in "Shoppers' World," is leasing its space from National Suburban Centers, Inc., which developed the project along a main thoroughfare halfway between Boston and Worcester, and a short distance from the city of Framingham.

The completely integrated center will include not only stores and the bank, but a movie theater, a parking space for 6,000 cars, and a recreation space for children. The population of the trade area is estimated at 4.500.000.

#### Some Bank Pamphlets

MANUFACTURERS NATIONAL BANK of Detroit, which stands near the site of Fort Pontchartrain built by Cadillac in 1701, has published a booklet of pictorial highlights of the city's 250-year history.

East River Savings Bank, New York, included in its July 1 condition statement a brief description of 16 "thrift services for financial progress"—individual and joint accounts, saving bank money orders, safe deposit boxes, mortgage service, Defense Bonds, etc.

"Oil in Brazil" is the title of a booklet published by the petroleum department, THE NATIONAL CITY BANK OF NEW YORK.

#### In Brief

"A number of the umbrellas

are borrowed

each rainy day, and they

are usually re-

turned within

the next day or two," re-

norts President

Melvin Rouff. The pictured mailing piece also included a photo of the

well-filled rack

HOUSTON NATIONAL BANK has a rack of umbrellas in its lobby for the convenience of customers who get caught in a shower. A sign reads: "Use one for your convenience and return it later for the other fellow."

The First National Bank and Trust Company of Paterson, New Jersey, underwrote a bulletin published by Area No. 1 of the state's Civil Defense Organization. Fifteen hundred copies were distributed.

We wouldn't appreciate the sunshine if it wasn't for the rain . . . .

—and if it does rain while you are in our lobby, you will find an umbrella stand like this with a sign that reads:

Use Oue

FOR YOUR CONVENIENCE
AND RETURN IT LATER
FOR THE OTHER FELLOW

HOUSTON HATIONAL BANK

We appreciate your business and are always trying to find ways of giving you added comfort and convenience.

HOUSTON NATIONAL BANK

September 1951

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#### Office Machines in a School Bank

NE of the great needs of high school business students is actual experience with office machines under conditions similar to those encountered in the business world, in the opinion of Leon H. Coon, principal of Central High School, Syracuse, New York.

Discussing this need with Mr. Coon at a luncheon, Everett M. Hatch, vice-president of the Syracuse Savings Bank, suggested the formation of a student bank at Central High School, under the sponsorship of the Syracuse Savings Bank.

Thus, on October 30, 1950, was born the Central High School Bank, operated by the business practice class of Miss Helena Smith.

The bank is located on the third floor of the school building, close to the cafeteria. It is open each Monday, Wednesday, and Friday for three half-hour periods, in order to conform to the three lunch periods of the student body.

Only deposits may be accepted by the school bank. All withdrawals must be made at the Syracuse Savings Bank, where duplicate ledger cards are maintained.

However, the Central High School students must post the transactions of the Syracuse Savings Bank through the school's accounting machine, in order to keep the two sets of ledger cards in balance. Thus the



Students making deposits at the Central High School Bank, Syracuse, N. Y.

class has complete practice in the use of the machine.

In order to facilitate and promote banking activities at the school, a board of directors was elected by the students. Fifteen in number, their duties are to promote thrift through the use of slogans, posters and announcements and to instigate improvement in the banking services of the school.

Following the first 11 days of operation, the Central High School Bank had 176 accounts, with deposits of \$1527.11, an average of \$8.68 per depositor.

While discussing the opening of the bank, it was decided to permit banking by one class at a time in order to keep the inexperienced new account clerks and tellers from being overwhelmed with new depositors.

This worked well, although there was a sharp dropping off of new accounts following the opening of accounts for the last class, as expected. This left a fertile field for promotion on the part of the board of directors, a program which is just beginning to get under way.

The students at Central High School maintain journals and records, using the same forms as the Syracuse Savings Bank. A petty cash fund of \$25 is maintained at the school by the Syracuse Savings Bank, in order to make change as needed by the school depositors.

Miss Smith's class of 25 students rotate as tellers, new account clerks, and at journalizing, proving, etc., so that all have a turn at the various activities.

And, with a continuous stream of inexperienced help, the students have had little trouble with their machine operations. And there have been no cash differences!

Both school and bank officials have expressed themselves as well pleased with the results, both from the standpoint of business practice and the promotion of thrift and banking experience.

Left to right: Miss Helena Smith, whose class in business practice operates the school bank; Leona Glinsky, acting secretary of the board of directors; Charles Hinman, chairman of the board; Jesse Ross, vice-principal of Central High School; and Joseph Walden, school representative of the Syracuse Savings Bank



## Society for Savings

Founded 1849

#### TRUSTEES

Warren Bicknell, Jr.
President, Cleveland Construction Co.

Robert F. Black President, White Motor Company

Irving C. Bolton
Vice President, The Warner & Swasey Co.

Harold T. Clark, Attorney

Frank M. Cobb
Director, Cleveland Electric Illuminating Co.

T. J. Conway
President, Fisher Brothers Co.

Frederick C. Crawford
President, Thompson Products Company

John S. Crider

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Ernest C. Dempsey
Attorney, Squire, Sanders & Dempsey

George Durham President, Wheeling & Lake Brie Company

Randolph Eide
President, The Ohio Bell Telephone Company

Mervin B. France

Dwight P. Joyce
President, The Glidden Company

Frank C. Lewman Chairman of the Board, Richman Brothers Company

James L. Myers President, The Cleveland Graphite Bronze Co.

Laurence H. Norton
Director, Columbia Transportation Company

Drake T. Perry, Vice President and Secretary, Harshaw Chemical Co.

Henry S. Sherman Chairman of the Board

Herman L. Vail, Attorney, Sayre, Vail & Steele

John S. Wilbur Cleveland Cliffs Iron Company

Arthur P. Williamson
President, Dill Manufacturing Company

#### STATEMENT OF CONDITION June 29, 1951

#### RESOURCES

(Less Reserves)

Cash on Hand and Due from Banks .	•	•		•	\$ 17,924,459.60
United States Government Obligations (Including \$13,200,000.00 as Lawful Reserve)	•	•	•	•	90,934,000.00
Other Investments	•		•	٠	14,192,476.48
First Mortgage Loans on Real Estate		•			81,475,448.09
Other Loans and Discounts				٠	34,464,034.57
Banking House and Lot-127 Public Sc	qu	ar	е		1.00
Bank Parking Lot-W. 3rd & Frankford	rt	A۱	ve		1.00
Interest Accrued and Other Assets	•				767,738.96
Total					\$239,758,159.70

#### LIABILITIES

Surplus	•	 •	\$ 12,000,000.00
Reserve for Contingencies	•		1,827,414.73
Reserve for Taxes and Expenses		 ٠	948,159.36
Savings Deposits	•	 •	217,529,862.71
Other Deposits	•		4,866,252.71
Deferred Credits and Other Liabilities	•	 •	2,586,470.19
Total			\$239,758,159,70



Security and Uninterrupted Dividends to Five Generations of Savers

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Sergeant Charles Turner, of Boston, Massachusetts—Medal of Honor, Korea. On September 1, 1950, near Yongsan, Korea, Sergeant Turner took over an exposed turret machine gun on a tank. Despite fifty direct hits on the tank, he stayed by his gun and destroyed seven enemy machine gun nests before he was killed.

You and your family are more secure today because of what Charles Turner did for you.

Sergeant Turner died to keep America free. Won't you see that America stays the land of peace and promise for which he gave his life? Defending the things he fought for is your job, too.

One important defense job you can do right now is to buy United States Defense\* Bonds and buy them regularly. For it's your Defense Bonds that help keep America strong within. And out of America's inner strength can come power that guarantees security—for your country, for your family, for you.

Remember that when you're buying bonds for national defense, you're also building a personal reserve of cash savings. Remember, too, that if you don't save regularly, you generally don't save at all. Money you take

home usually is money spent. So sign up today in the Payroll Savings Plan where you work, or the Bond-A-Month Plan where you bank. For your country's security, and your own, buy U. S. Defense Bonds now!

\*U.S. Savings Bonds are Defense Bonds - Buy them regularly!



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## green pastures on BOTH sides

THERE'S little rivalry—and a vast store of opportunity in commerce between these North American neighbors. That is why Americans have invested in Canada more than one-third of all U.S. private capital invested abroad. Canadians in turn have invested substantially in American enterprise.

Last year Canada bought \$2,093,000,000 of American goods. During the same period the United States bought \$2,046,000,000 of Canadian goods. Canada now ranks among the first six nations in industrial output. Today Canadian factories are producing more income than the farms, forests, mines and fisheries combined.

Many leading U. S. Banks
direct their customers to
The Canadian Bank of Commerce
when they need a Canadian
banking connection. They can
rely on us to give the
constructive, efficient banking
service and valuable market
information American
businessmen appreciate.

## The Canadian Bank of Commerce

**HEAD OFFICE: TORONTO** 

New York San Francisco Los Angeles Seattle Portland, Ore.

Over 600 Branches Throughout Canada

#### Instalment Credit Costs

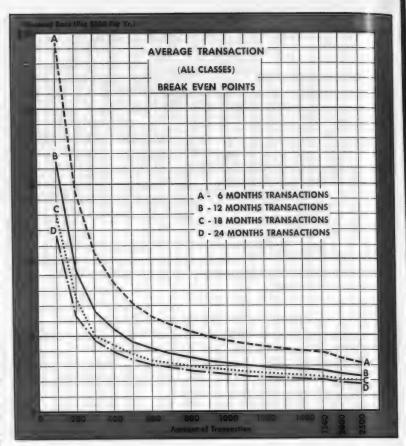
(CONTINUED FROM PAGE 37)

In order to determine the total cost of loans or contracts other than \$100, the variable dollar expenses should be calculated as explained in Step 5, and added to the fixed acquisition cost and the collection cost per loan.

The actual break-even point, or rate of discount necessary to break-even, is determined by dividing the total cost of the loan or contract, as calculated above, by the number of dollars of said loan or contract.

By charting the break-even points on transactions of various amounts on the same term of months, it is easy to see which transactions are handled at a profit or loss at any given discount rate.

It is the writer's belief that, whenever possible, sliding scale discount rates should be used to produce relatively fixed rates of profit over and above established break-even points. This, of course, is impossible when specific rates are advertised. In such cases, average rates should be used to yield the same results. Banks are entitled to reasonable profits, when handling instalment credit transactions, and rates for money and services should be deter-



mined and used to produce profits on the maximum number of such transactions.

No matter what method is em-

ployed, bankers should analyze their instalment credit operations, and know their costs. To know costs is to know profits, or will it be losses?

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#### In a manner of speaking\_

Progress is a condition where improved legal tricks for getting criminals free keeps up with better police equipment for catching them.

A man is well balanced if he can get a lot of money without letting a lot of money get him.

A pessimist is an optimist who voted for a politician he thought would eliminate government waste.

The fellow who sings his own praises is generally a soloist.

A vacation is good for you, but it's a nice thing to find a desk to put your feet under when you get back. We struggled through three mystery stories last week without finding a single clue as to why they were published.

A smart statesman may be familiar with all important public questions, but not necessarily with the answers.

Modern war isn't over until you restore a country you first destroy.

The only time an American pays to have his standard of living reduced is during his vacation.

The difference between the old dime novel and many modern best sellers is \$3.40.

The greatest distance known to man is the distance between what a man knows and what he thinks he knows.

Intelligence is an unnecessary luxury in some committee meetings.

A boring fellow is one who thinks you're serious when you ask how he is.

Few people are unhappy if they find some one else is unhappier.

No matter how little a little man gets he never feels little. No matter how great a great man gets he never feels great.

## Bankers and Banks

In its first 16 months of operation the First National Bank of Manchester, Connecticut, finds that each department has so far exceeded all original estimates of the expected volume of business and that it is now embarking on an expansion program which originally was planned for 1953.

Commercial Bank, Thomasville, Georgia, celebrated its 35th anniversary. J. Truman Holland, president since 1934, was a co-organizer of the bank in 1916.

JORDAN J. CROUCH is now vicepresident of the First National Bank of Nevada, Reno.

To commemorate the opening of its new bank building, The First NATIONAL BANK OF IPSWICH, Massachusetts, published a souvenir booklet, bearing on its cover a photo of the new building.

The new building of the FORT WORTH (Texas) NATIONAL BANK is to be served by nine ultra-modern elevators, six of which will be highspeed elevators.

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The Belgian Chamber of Commerce and the Official Belgian Tourist Bureau are the joint sponsors of an exhibition of products of Belgium and the Belgian Congo on display in the windows of the COLONIAL TRUST COMPANY'S ROCKefeller Center, New York, office.

EDWARD W. ASMUS, realtor, has been appointed manager of the real estate and mortgage department of Pullman Trust & Savings Bank, Chicago.

Harry C. Burgess, vice-president of The Bowery Savings Bank, New York, retired on August 10 after 32 years with the bank. He has been officer in charge of personnel since 1932.

Marine Trust Company of Western New York, Buffalo, announces appointment of Kenneth A. Rittman as manager of its new Smith Plaza office, and the promotion of H. Alanson Ayres to succeed Mr. Rittman as manager of the bank's Depew office.



IN TYPING PRODUCTION FOR
DETROIT TRUST COMPANY WITH
REMINGTON Electri-conomy TYPEWRITERS

and that isn't all...

improved appearance of work
improved operator morale
improved handling of peak typing loads

Yes, the installation of Remington Electri-conomy Typewriters at the Detroit Trust Company has proved an economy measure of outstanding significance...and these superb new electric type-

writers can do the same for you! Whatever your typing requirements, the Electri-conomy assures greater speed, greater ease of operation and greater accuracy. Ask the Remington Rand representative who contacts you about the Electriconomy or call your local Business Equipment Center.



Remington Rand IN TYPEWRITERS

Remington Rand, Room 2222, 315 Fourth Avenue, New York 10, N. Y.

☐ Yes, I would like a FREE copy of RE 8353 describing the new Electri-conomy.
☐ I would like FREE Electri-conomy Test in my office—without obligation.

Name \_\_\_\_\_

Company\_\_\_\_\_

Address

City\_\_\_\_\_State\_\_\_\_

## Washington

(CONTINUED FROM PAGE 41)

riding official assumptions of the past—basic official assumptions which framed all Government planning, and then one by one have been abandoned quietly.

#### **Earlier Assumptions**

One of the earliest of these "global" assumptions was that the defeat of the Axis powers and the establishment of the United Nations would bring about world peace. Another one was that with U. S. financial assistance to the World Bank, postwar economic rehabilitation would develop, and with financial assistance to the Monetary Fund, world currency stability would be brought about and multilateral trade would be encouraged.

A third overriding assumption of official policy was that the 1946 loan of \$3.75-billion to Britain would restore Britain to economic health and permit the nation to go ahead on its own steam.

A fourth basic assumption was that if the U. S. made the liberal sacrifice for the Marshall Plan, by 1952 Western Europe's economy would be rehabilitated, and this would restore Europe's morale, willingness, and capacity to build up its own military establishment to discourage Rusian aggression. Congress was told that, if the Marshall Plan were rejected, the alternative would be that the United States would have by itself to spend scores of billions annually and become a semimilitary state.

## **Banks Aid Bond Drive**

Until the current target of military production is officially eclipsed, however, plans involving monetary, banking, and credit proceed upon the present assumptions.

Bankers as individuals are prominent as usual, in the leadership of state and local committees, and in that capacity will furnish much of the power behind the Defense Bond Drive which opens Labor Day in Grand Rapids, Michigan.

In announcing this drive, Secretary Snyder said the "Treasury will call upon all Americans to take part in an all-out, full-scale Savings Bond selling campaign which will reach

into every community and every home in the nation.

"The purpose of the drive will be to encourage regular and systematic saving by every American family—to establish thoroughly the principle inherent in our American way of life—that 'Defense is everybody's job'," he declared.

Another purpose of the drive is to bring about the widest distribution of the public debt, and in particlar its movement away from banks where it might be "monetized."

Treasury officials have announced no dollar objective for the drive, leaving the amount of war bond purchases which they hope to stimulate an open target. However, there was little thought that the goal would approach totals comparable with similar sales campaigns conducted during War II.

#### **President Supports VCR**

President Truman supported the voluntary credit restraint program in his Mid-Year Economic Report. After discussing credit restrictions in other fields, he said:

"I am also glad to note that lending institutions throughout the country, and state and local govern-

Gen. Albert M. Gruenther, chief of staff of the Atlantic Pact Army, told Congress that the major problem in girding Europe against communist aggression is procurement of armament—not men



HARRIS & EWING

ments, are cooperating in a voluntary credit restraint program which has been initiated by private financial institutions under the sponsorship of the Federal Reserve System." poli

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The official version of Bulletin No. 5 of the National VCR committee calls upon institutions to screen the applications of foreign borrowers of U. S. funds "to the same extent, and with the same tests, as comparable American credits." This would have the effect of placing a damper upon both business and public borrowing from foreign sources if the purposes of the loans were inflationary.

#### **Loans on Securities**

In Bulletin No. 6 of the National VCR committee, it is emphasized that its purpose is to treat both unlisted and listed securities alike for purposes of VCR. It is emphasized that there is no thought of treating loans secured by unlisted stocks more severely than those secured by listed issues.

On the other hand it was noted that where the amount of the loan on an unlisted security is no more than 25 percent, as is required by Regulations T and U for listed securities, it may be presumed to be for a proper purpose.

In other words, although unlisted securities are not subject to regulated margins, where a margin is less a "flag is raised" by VCR. This will have the effect of requiring, in some cases, 75 percent margins on unlisted securities.

Despite the refusal of Congress to extend the Defense Production Act to cover loans on existing houses under Regulation X, as recommended by the President, such a policy was recommended June 14 in Bulletin No. 4 of VCR, it is recalled.

It is anticipated by officials that the VCR program will continue to press this policy. In the first place, there was no noticeable sign of Congressional discontent with this VCR policy, even though Congress itself did not want to cover existing housing under Regulation X.

In the second place, Bulletin No. 4 covers not only existing housing, but the application of voluntary credit restraint to all real estate; in other words, to loans on commercial and industrial real estate as well as on existing houses.

It is understood that the VCR committee itself wanted such a policy officially adopted. Without such a

policy, there would be substantial pressure upon lenders to make loans nominally secured by real estate, but actually for purposes which, if applied for by the borrower, would vitiate VCR.

## Liberalize Downpayment Requirements

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There was on the way to enactment at writing the congressional proposal to limit to 6 percent required downpayments on GI loans guaranteed by the Veterans Administration, where the cost of the house did not exceed \$12,000.

Another proposal would permit the VA to treat the fund of \$150,000,000 appropriated last year by Congress for direct home loans to veterans as a revolving fund. In other words, the VA could loan beyond \$150,000,000 to the extent that it received repayments or was able to sell loans already concluded.

Superficially this was a congressional vitiation of Regulation X and the accompanying regulations adopted by VA. However, officials doubted that it would stimulate any lending so long as the VA rate of interest remained 4 percent, as appeared likely. Few lenders would be disposed to make 4 percent loans, and few institutions to buy existing direct loans paying 4 percent.

#### **RFC Wants Participations**

RFC very definitely wants banks to participate in its loans to business, and prefers participation loans to direct loans, it was reported reliably. Furthermore, the agency is setting out to encourage participations.

This word was released after an

How Many Victories Can We Stand?



analysis of RFC loans, since the advent of W. Stuart Symington as Administrator, indicated a relatively small participation by banks.

What happened was that the RFC fell into such disrepute with banks as well as with the public, in view of the investigations conducted by a Senate subcommittee, that banks were little interested for a few months in RFC business, it was explained.

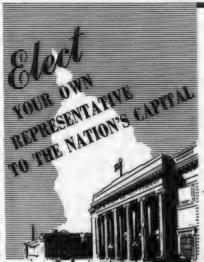
Since the new leadership in the handling of the RFC affairs, and the abolition of the old board, bank interest in RFC participations, it is stated, has picked up.

## **Small Business Facility**

In passing the Defense Production Act, Congress created a "Small Defense Plants Administration" as an independent agency within the defense agencies.

Purpose of this administration is to encourage small business participation in the defense production program. Small Defense Plants Administration can undertake to become itself a "prime contractor" so that it can parcel out parts of a big contract to numerous small producers.

It is also provided that SDPA (CONTINUED ON PAGE 111)



As your representative to the Nation's Capital, American Security & Trust Co. can handle your correspondent needs and problems in Washington with the care, speed, and personal interest that you would require of your own staff.

Select a leader in experience and dependability and receive the maximum in efficiency.

## American Security

15th St. & Pennsylvania Ave., N. W. Washington, D. C.

Daniel W. Bell, President

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
MEMBER FEDERAL RESERVE SYSTEM

# Our banking friends ...

will find this institution especially well equipped to handle their Chicago accounts promptly and efficiently. Our complete facilities are at your disposal.

## CITY NATIONAL BANK

AND TRUST COMPANY of Chicago

208 SOUTH LA SALLE STREET

(MEMBER FEDERAL DEPOSIT INSURANCE CORP.)



What's happening in the home building field? How are federal credit restrictions, rearmament and other factors affecting demand? America's leading producer of homes answers these significant questions in its Progress Report for the fiscal year ending June 30th.

# National Homes Corporation Looks FORWARD!

BETWEEN July 1, 1950, and June 30, 1951, National Homes Corporation produced 11,111 single-unit dwellings—an all-time record. These were erected and sold by some 400 dealers at an average price of \$7,500 for the 2-bedroom models and \$8,500 for 3-bedroom (including lot). The American public invested nearly one bundred million dollars to live in our year's output of houses.

No other maker of prefabricated homes, no conventional builder, came close to that total. National Homes strengthened its position as undisputed leader in the housing field. What's back of this leadership?

## **Blueprint for Success**

It took vision, courage, technical skill for National to pioneer the now famous "Thrift Home"—lowest-cost, quality home on the market. Starting with pre-engineering and mass purchasing, National streamlined its production and erection methods. Unforeseen "extras" were eliminated from

the purchase price. The owner got possession in a few weeks, instead of waiting months. And he got the most house for his money.

Home-hunting families saw—compared—bought in ever-increasing numbers. This spring, National Home No. 30,000 rolled from the production line.

## "X" Marked a Spot

Last October the government put into effect Regulation X, which drastically increased down payments on new homes. Its aim was antiinflationary, though we have always felt that home buying is a counter influence to inflation.

National's answer to Regulation X was to re-style the entire line of homes, outside and in. New designs, new features were added. The "Thrift Home" became the "Super-Thrift" home. The new 1952 models were received with a wave of enthusiasm. While the building field lagged far behind the peak year of 1950,

June was the third largest month in National Homes history.

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#### What About the Future?

Despite the stringent credit restraints, our volume remains high. Regulation X hit hardest at topbracket homes, driving many prospects into our price range; here they found to their surprise that they could get just the kind of home they wanted, at less than they'd expected to pay.

Defense area housing represents another large-volume potential for National Homes. During World War II we produced 7,500 houses for such areas. With our two strategically located plants we can turn out twice that number per year using only our present facilities; if needed, these operations can be expanded indefinitely almost overnight.

Good homes for workers and executives are vital to the rearmament program. Thousands of families will be drawn into communities already under-housed. Local builders, used to slow, costly, conventional methods, can't cope with such situations.

But National Homes has proved its ability to produce houses en masse, and in a hurry. Furthermore, these will be well built, livable, durable—a permanent contribution to better living wherever they are erected.

#### Write for Information

National Homes welcomes inquiries from financial institutions seeking a steady flow of sound investments.

A unique publication, "Your National Home Magazine," tells the complete story—64 pages, hundreds of illustrations, floor plans, facts about this miracle of modern housing. Regularly sold at 25 cents, a copy will be sent free to executives, when requested on business letterhead. Please send your request to Lafayette.

National Homes Corporation Lafayette, Indiana Eastern Plant: Horseheads, N. Y.



National Homes come in an amazingly wide variety of designs and sizes, to suit every taste; harmonizing porches, breezeways and garages are available. Above is a beautiful example of National Homes' individuality.

(CONTINUED FROM PAGE 109)

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can recommend loans, including loans for capital purposes, for its small business clients, the loans to be recommended to the RFC. The latter, however, has the right to use its own judgment in acting upon those recommendations.

This arrangement is much trimmed from the original proposals of the "small business bloc" of Congress. They would have compelled the procurement agencies to let contracts to this agency whenever it sought them, would have forced RFC to grant loans it recommended, and would have authorized the Government to buy and rebuild factories and lease them to small businesses.

These far-reaching features were defeated. The "strongest" feature of the bill is a provision that when SDPA certifies the competence (and credit) of a small business bidder to perform on a procurement contract, this certification is binding on the contracting officials.

## **Defense Plant Corporation**

Congress also rejected the proposal of the President that he be authorized to set up Government corporations to produce defense materials or end items. This would have re-established something like RFC's Defense Plant Corporation of World War II.

With the Spence bill of a couple of years ago very much in mind, (CONTINUED ON PAGE 114)



"Yes sir. I'll remember. I can't use it to buy a home, or make a down payment on something I need . . . I can't buy listed securities . . . I can't . . ."

has specialized for 60 years in meeting the bonding and insurance needs of banks and other financial institutions, and makes its services readily available to them through more than 9,000 experienced local representatives.

Bankers and Brokers Blanket Bonds
Savings and Loan Blanket Bonds
Court and Fiduciary Bonds
Lost Securities Bonds
Burglary, Robbery, and Forgery Insurance
Safe Depository Liability Insurance
Safe Deposit Box Burglary & Robbery Insurance
Valuable Papers Insurance
Securities Insurance
Glass Insurance



## FIDELITY and DEPOSIT

COMPANY OF MARYLAND

Founded 1890-Baltimore, Md.

AFFILIATE: AMERICAN BONDING COMPANY OF BALTIMORE

# enthusiastically received in Roanoke - Detroit - Omaha

the New Burroughs Bank Bookkeeping Machine

> highly rated by users everywhere



Users of the new Burroughs bank bookkeeping machine report increases of as much as one-third in the efficiency and production of their bookkeeping departments! Credit for this substantial time and work conservation goes to the machine's many new features - one-hand form insertion, easy key and motor bar depression, automatic balances, simplified error correction, adding machine feature —and the machine's great operating simplicity.

Burroughs offers banks much more than this most

machine installations, and the backing of the nationwide Burroughs service organization.

A demonstration of the new Burroughs bank bookkeeping machine can easily be arranged for you. Just call your local Burroughs man, or write to us. Burroughs Adding Machine Company, Detroit 32, Michigan.



WHEREVER THERE'S BUSINESS THERE'S

Burroughs



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#### (CONTINUED FROM PAGE 111)

Congress rejected that proposal. The Spence bill was proposed by Administration officials when they were trying to force production expansion in line with official designing of an "expanded economy." The Spence bill would have authorized the Government to build steel plants if the steel industry, in the Administration's opinion, was not expanding rapidly enough.

Committee members questioned Administration officials closely and asserted that the latter could not give a single concrete instance of an actual existing need for a Government-owned producing corporation.

### **Bank Buildings Under CMP**

Whether banks shall be permitted to construct new buildings or modernize existing structures is now a question which is tied in with the Controlled Materials Plan.

Under this plan, Defense Production Administration gathers reports of all the requested defense and civilian needs for steel, copper, and aluminum every 3-month period, and makes up its best estimate of the amount of material which will be available for that 3-month period.

DPA then supposedly OK's production and construction projects to a total which will match the available supplies of these basic metals.

The importance of this is that whether bank buildings shall be allowed to be constructed is a variable thing; it might be impossible to start a structure during the "He keeps ignoring me, and one thing I can't stand is ignorance!"



second quarter of 1952, for instance, but by the third quarter metals supplies might permit approval.

All banks desiring to modernize their existing structures or build new branches or buildings, should apply direct to the National Production Authority, Washington 25, D. C., and ask for form CMP4C. Their application should be made according to Regulation M-4A.

(Previously applications could be made to district offices of the Commerce Department).

#### Murphy Is Counsel

Henry Murphy, chief of the Finance Division, Research Department, of the International Monetary Fund, has been loaned to the Monetary Subcommittee of the Congressional Joint Economic Committee, to serve as staff director of that subcommittee.

Representative Wright Patman (D., Tex.), an outspoken critic of the Federal Reserve Board, and opponent of the Board's policy of dropping bar supports. is chairman of this subcommittee, which will conduct a series of hearings some time early next year.

Mr. Murphy was at one time a member of Investment Counsel, Inc., of Detroit, and economist for The National Bank of Detroit. From 1935 to 1948 he was in the research division of the Treasury.

(END)



MULLARLY, GALLUP

#### INDIAN CHIEFTAINS WELCOME A.B.A. CHIEFS

James A. Shelton, president, Security-First National Bank, Los Angeles, and president of the American Bankers Association, and F. Raymond Peterson, chairman of the board, First National Bank and Trust Company, Paterson, New Jersey, and immediate past president of the A.B.A., were welcomed on August 11 to the Intertribal Indian Geremonial at Gallup, New Mexico.

Ceremonial at Gallup, New Mexico.
The third "pale-face," Glenn L. Emmons, president of the First State Bank at Gallup, N. M., and longtime friend and adviser of the Navajos and Hopis, is treasurer of the A.B.A.

Front row, left to right: Adam Trujillo, governor, Taos Pueblo; James A. Shelton; Courad Lasarlee, governor, Zuni Pueblo; Glenn L. Emmons; F. Raymond Peterson; and Talewiftema (Lightning), governor of the Hopi Indians.

# WIN NATIONAL RECOGNITION for Your Best Advertising Ideas . . .

## BANKING'S ANNUAL FORUM IN PRINT

¶ Every bank—large or small—has an opportunity to compete for—and win—the coveted CITATION AWARDS (see illustration). It's easy to enter.

¶ Here's what you do. Select NOT MORE THAN TWO EXAMPLES of your BEST advertising ideas of the year, including newspaper, magazine, direct mail, lobby or window displays, billboards or other promotions, and descriptions or illustrations of television or radio shows.

¶ Mount each exhibit on separate panels not over 18" x 24" in size, or assemble in a simple inexpensive scrapbook, keeping in mind that the ideas presented are to be judged, not the scrapbook or panel artistry.

¶ Include with your entry a statement of not more than 100 words giving the objectives of your advertising program.

Mail your entry to reach William R. Kuhns, Editor of BANKING, on or before December 21, 1951. Winners of Citation Awards will be announced in the March 1952 issue of BANKING—winning entries will be displayed at 1952 conventions of the American Bankers Association, American Institute of Banking and state bankers associations . . . the awards themselves also provide excellent local promotion possibilities.

## BANKING

Journal of the American Bankers Association

12 East 36th Street New York 16, New York



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## We were three-time losers!

(Based on Hartford Claims #12B17040, #12B17617 and #12B18309)

Like many firms, we handle payrolls on a cash basis. Recently we were caught in a crime wave that started when one of our men who was delivering the payroll was jumped by two bandits who got away with \$1145! Then a few months later burglars cut through the steel wire fence around our main office, forced a door and emptied two safes of \$18,318 in payroll and other funds. Within three months the same thing happened again, and the yeggs got \$1188.

These losses, totaling \$20,651, would have crippled us if we hadn't had Hartford insurance. The Hartford reimbursed us fully, and also paid an additional \$718 to repair our damaged safes and premises.

Your loan customers who handle large payrolls on a cash basis are especially vulnerable to crime losses. *Proper* insurance covering this exposure is essential to protect their credit position and their ability to meet their obligations to your bank. Hartford's Broad Form Paymaster Insurance is ideal for this purpose. It covers holdup, burglary and many other causes of loss.

Ask your Hartford agent or your insurance broker to explain its broad coverage to you or your customers... or send coupon for descriptive literature. In over 5000 communities you can locate the nearest Hartford agent by calling Western Union by number and asking "Operator 25."

HARTFORD FIRE INSURANCE COMPANY
HARTFORD ACCIDENT AND INDEMNITY COMPANY
HARTFORD LIVE STOCK INSURANCE COMPANY

## **HARTFORD**

ACCIDENT AND INDEMNITY COMPANY Hartford 15, Connecticut

Send details on Hartford's Broad Form Paymaster Policy.

Name	
Firm Name	
Address	

## USDA Wants to Expand Farm Credit

A RECENT move by the United States Department of Agriculture to win support from the county agricultural mobilization committees for its proposal that the various agencies within the Department of Agriculture be given exclusive authorization to finance family farms or farm production generally under the terms of the Defense Production Act has aroused considerable concern in banking circles.

This move by the USDA was called to the attention of the presidents of the state bankers associations by W. W. Campbell, chairman of the Agricultural Commission of the American Bankers Association and president of the National Bank of Eastern Arkansas, Forrest City, in a letter dated August 9, reading as follows:

"Recently the U. S. Department of Agriculture put out a 121-page booklet entitled Family Farm Policy Review, dated June 11, 1951, to all county agricultural mobilization committees. It is a provisional report with certain recommendations as to how the various agencies within the Department of Agriculture can improve their programs in serving farmers.

(CONTINUED ON PAGE 118)



"Do you have \$9.60? I don't want to break my \$10 bill."

City.



## May we assist you in handling FOREIGN TRANSACTIONS?

Commercial Letters of Credit

Mellon Travelers Letters of Credit

Foreign Exchange

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Credit Information

Collection of Foreign Items

Foreign Remittances— Mail and Cable At this time, many of your customers may be inquiring about purchases of scarce or strategic materials from foreign countries. Or you may have customers whose export business is becoming increasingly important. If such is the case, the foreign banking services of Mellon National Bank can be most helpful.

For example, correspondent banks may obtain Mellon National Bank commercial letters of credit for the use of their customers in making foreign or domestic purchases. These credits are furnished under an arrangement allowing a commission fee to the correspondent bank... yet the customer pays a rate no higher than if he dealt directly with us.

Our Foreign Division is staffed with experienced personnel and is prepared to furnish information and advice regarding any phase of foreign trade and foreign banking.

## MELLON NATIONAL BANK AND TRUST COMPANY

PITTSBURGH 30, PENNSYLVANIA

(CONTINUED FROM PAGE 116)

"On page 56 of this Review, they have this to say about credit facilities:

"Special credit facilities under the Defense Production Act apparently are not well adapted to finance family farms or farm production generally. To assure equitable treatment for family farms, and in recognition of the specialized character of agricultural production and the fact that the Department of Agriculture has had long experience in farm credit,

it is proposed that the responsibility for extending credit necessary to encourage the defense production of food be vested in the Department of Agriculture. Under this proposal, cooperative loans would be a responsibility of the Farm Credit Administration and direct loans to farmers would be made by the Farmers Home Administration in accordance with the Department's agricultural mobilization pragram.'

"The inference seems to be here that inasmuch as various Government agencies do not come under the Voluntary Credit Restraint Program, they (the USDA) have the responsibility in extending credit for agricultural production.

"The county agricultural mobilization committees—made up of USDA personnel in each county and headed by the Production and Marketing Administration office (formerly AAA)—are to have meetings of farmers and others within the next month to consider this whole program and pass their recommendations on to the state and national levels.

"Few people will take the time to study the lengthy publication. Under these circumstances, it is probable that the PMA will see to it that the entire report is favorably reacted on by farmers. Such action will make a strong case for the USDA in its appearance before members of Congress. County reports are to be in the hands of each state committee by September 15, 1951.

"In the interest of time, we suggest that you notify the banks of

gest that you notify the banks of your association—or at least the key bankers (title varies among states)—immediately, and have them get in touch with their county agricultural mobilization committee to voice objection to those portions of the Review that tend to circumvent private lending institutions. We would suggest that the county agricultural mobilization committee be informed of the interest which banks have in financing farmers. This is evidenced by

"(1) The record of farm credit in 1950 which shows that banks and not PCA's are doing the job in taking care of the credit needs of farmers:

"(2) That banks are committed to serve the credit requirements of all worthy farmers in connection with the defense efforts; and

"(3) That loans to farmers for production purposes are normally exempt from the workings of the Voluntary Credit Restraint Program.

"We trust that you will give this your immediate attention."

To young men: Always question Pop before you pop the question.

To win friends, you must always act surprised when people tell you what you already know.





La Salle

NATIONAL BANK
FIELD BUILDING
135 So. La Salle Street, Chicago 90

Complete Trust Facilities

Member Federal Deposit Insurance Corporation

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# are saving time and money with PHOTOSTAT

REG. U. S. PAT. OFF

## PHOTOGRAPHIC COPYING EQUIPMENT

Here is the answer to all bank and trust company copying ...

These modern photographic copying machines make copies quickly,
accurately and economically of anything that is written, printed, drawn,
typewritten or photographed ... at the same size ... or enlarged ...

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This photographic method of copying helps to eliminate costly peaks in clerical work . . . makes great savings in time and money. Such copies are errorless. No checking is necessary. And they are inexpensive.

A great many banks and trust companies throughout the country are using PHOTOSTAT Photographic Copying Equipment to excellent advantage...saving money...giving better service to customers. How about your bank?

## PHOTOSTAT CORPORATION

Service Offices in All Principal Cities

Your inquiries are cordially invited.

## **News for Country Bankers**

(CONTINUED FROM PAGE 77)

ness as a partnership or corporation; what we should know about the responsibilities of landlords and tenants; what we need to know about making a will; and what we should know about Rhode Island laws concerning inheritance and distribution of property."

Mrs. Russell Wertz of Hamilton, Rhode Island, gave this advice to the bankers attending the Connecticut-Rhode Island bankers associations' farm credit school at the University of Rhode Island, Kingston. Two farm wives were invited to give the bankers the benefit of their thinking on the topic, "The Farm Family and Credit."

Mrs. Wertz also suggested that banks permit children under 12 years to "see their money being put in a safe. I believe this would encourage children to save." She also thought the banks could do a better job of informing their customers about the facilities they already have available. "You could list and explain the things that a bank with trust powers can do for women besides the regular handling of our funds and the counseling of our investments," she concluded.

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#### Kentucky's News Bulletin

THE Agricultural Bulletin of the Kentucky Bankers Association keeps the KBA membership up-to-the-minute on developments in the agricultural field. A special Bulletin, published in July, calls attention to National Farm Safety Week and to the Official Tractor and Farm Equipment Manual, published by Farm Equipment Retailing, Inc., 1014 Locust Street, St. Louis 1, Missouri.

The Manual is the "blue book" of the farm equipment industry and contains thousands of trade-in values based upon information supplied by retail dealers in every section of the United States handling all makes of tractors and allied equipment. In addition to listing "as-in" trade-in values, it also includes "loan values."

In its introduction, the Manual states:

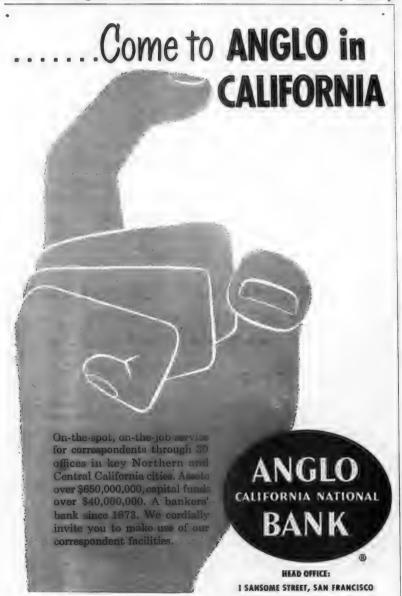
"'Loan values' listed in the Official Tractor and Farm Equipment Manual for tractors, combines, and corn pickers, are suggested loan values for use by dealers, tax assessors, bankers, and finance companies."

In another July Bulletin, the KBA states that "The 1951 Farm Management Meetings for bankers... will be official group activity." In this same issue members are told that they will probably "be asked to serve on your county committee to arrange for a county exhibit at the 1951 Kentucky State Fair."

#### Loan Plan Suggestions

Speaking on "Lending on Livestock in 1951" before the Bank Management Clinic of the Kansas Bankers Association, True D. Morse, editor, Doane Agricultural Digest, said that "The first requirement for lending on livestock is a carefully developed loan plan for each kind of livestock."

Mr. Morse advocated placing a copy of each loan plan in the hands of bank officials, the bank's loan



Bakersfield, Berkeley, Chico, Fresno, Hanford, Hayward
Lemoore, Merced, Modesto, Oakland, Palo Alto, Red
Bluff, Redding, Sacramento, San Francisco, San Jose
MEMBER FEDERAL RESERVE SYSTEM - MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

committee or board, and outside field representatives.

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"In addition to the basic plans," he said, "these handbooks should contain supporting data for quick, ready reference. These data should be revised and kept up to date, to keep [bank officials] abreast of changing markets and economic conditions.

"Make these loan plans apply to your specific trade area. Pattern them after the profitable livestock operations on the farms of the trade area that your bank serves. . . .

"The break-even point for each of the livestock enterprises [cattle, hog, dairy, etc.] should be in your lean plan handbook. These should be known for various types of operation for each class of livestock....

"Use budgeted loans where farmers and livestock men are asking for full financing. These will be increasingly important because of the growing threat of market declines—in contrast to the consistent uptrend in most of the last 12 years.

"Loan plans for each type of farming in your trade area should, also, be in your handbooks—wheat, general, dairy, corn-hog, beef cattle, and part-time farmers."

#### Cartoon Booklet

QUALITY Makes Sales—Handling Farm Products is the title of the Canadian Bank of Commerce's newest booklet in its cartoon series for farmers. This two-colored, humorous, cleverly illustrated booklet on the production and marketing of quality foods doubtless will, like its predecessors, win quick acceptance by the farm family.

Following a discussion, with appropriate illustrations, of "You



IT'S THE PREMIUM MARKET YOU'RE AFTER

One of the interesting cartoons from the Canadian Bank of Commerce's Quality Makes Sales booklet

must know how to grow crops or raise animals of high grade" and "You must know how to handle your products for market," the booklet includes material on these topics: "Here's What You Can Do to Improve Quality"; "How You Can Ensure the Best Crop Growth"; "The Factors That Affect Quality in Cash Crops—Livestock Dairy Products—Are the Same"; "Quality Control in Livestock and Poultry—Storage, Shipping"; "So—Let's Aim for Contented Customers!"; and the drawing power of quality products.

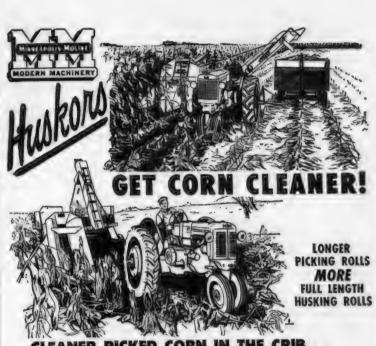
Other Canadian Bank of Com-

merce booklets in this series includes: More Power to You; Keeping the Farm in the Family; Pasture on the Production Line; and Good Breeding Shows. (Story page 66, January 1951, BANKING.)

An outstanding authority in agriculture consulted with the bank in the preparation of each booklet.

#### A Loan to Be Proud Of

WHILE financing the purchase of livestock is a part of the regular business of The First National Bank and Trust Company of Wal-



## CLEANER PICKED CORN IN THE CRIB

Husk up to 25 acres of corn a day with MM 2-row Huskor, up to 13 acres with an MM 1-row. Both models are smooth running, easy pulling machines designed to practically eliminate shelling in the field. MM floating snouts and gathering chains handle even badly tangled corn. Exclusive cleaning fan removes the few remaining loose husks and dirt at wagon elevator.

loose husks and dirt at wagon elevator.

All corn pickers may have some things in common, but MM's long experience and skilled craftsmanship in making top quality parts for its Huskors, permit them to give the unusually long, dependable performance for which they are noted.

Quality control in MM factories gives you longer, better performance in the field. See us for complete facts.

## MINNEAPOLIS - MOLINE MINNEAPOLIS 1, MINNESOTA

ton, New York, the bank recently made a livestock loan in which it takes special pride. This story is told with the permission of the borrower.

Hugh Sutherland of Cayuga, New York, purchased, with some help from the bank, Marshline Ormsby Cavalier, a two-year-old Holstein bull. Besides having an outstanding pedigree from a production point of view, the bull shows excellent Holstein breed type.

In commenting on the loan, E. B. Gould, president of the Walton bank, said: "This is the first time we have

made a loan for establishing an artificial breeding business, and we have loaned more than we normally do on one animal. However, we have made loans to 4-H members, when recommended by the 4-H agent, for many years, and never lost a cent even though they were all under legal age and we couldn't hold them on their note.

"Hugh was an outstanding 4-H member. He is a graduate of New York State Agricultural and Technical Institute at Delhi. He has shown cattle at several fairs and has a good dairy experience.

"We get a real satisfaction out of knowing that we have started another young man towards the ownership of a purebred herd or a successful business."

#### **Forest Protective Fund**

ALTHOUGH the Florida Bankers Association's \$1,000 forest fire protective fund has been in existence one full year, no claims have been made against it. The FBA set up this fund to aid in curtailing incendiary forest fires by making available cash awards to those responsible for the conviction of any person causing destruction of trees or forests by setting improper and unauthorized forest fires. The plan provides:

The sum of \$1,000 is divided into 10 equal awards, which are the maximum number that may be awarded in any one calendar year.

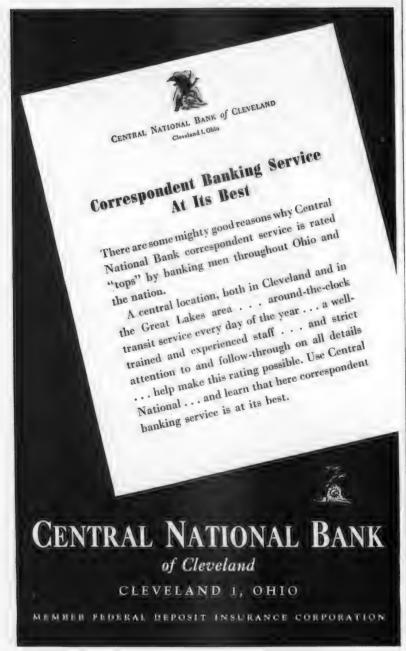
At the beginning of each calendar year the FBA will appropriate an amount sufficient to rebuild the fund to \$1,000.

The eligibility provisions of the plan stipulate:

- (1) Any citizen or peace officer of the State of Florida who provides information leading to the conviction of anyone wilfully setting a forest fire is to be eligible for an award.
- (2) Only one award is available per conviction.
- (3) Personnel of the Florida Forest Service are specifically excluded from sharing in the awards.
- (4) Rewards are to be paid only when the set fire has occurred in areas under cooperative protection of the Florida Forest Service.

To receive an award a citizen or peace officer must be recommended for the award by a local law enforcement officer to the chief investigator of the FFS.







# they don't wave their arms

## they wave their farming to fit the soil

The farmers in our 2,300 soil conservation districts are poor soap box orators. They are too busy working together on agriculture's biggest problem — getting the right crops on the right land under a system of farming which boosts yields but controls erosion and depletion.

Here, through self-directed community programs, the real job is being done. Under plans of their own choosing, farmers within organized soil conservation districts are already managing 121 million acres on 780,500 farms in strict accord with the capability of the land itself. Soil conservation districts are now found in all 48 states, Alaska, Hawaii, Puerto Rico and the Virgin Islands.

Farmers within each district make full use of all the soil survey facilities of the Soil Conservation Service and other USDA agencies, but as good farmers and good business managers, they keep full control of their own show — first on their own farms, and second in the management of their own soil conservation district.

## WHY YOU SHOULD KNOW THE LEADERS OF YOUR LOCAL SOIL CONSERVATION DISTRICT

- You'll find these key farmers are good businessmen. They can make sound use of your credit facilities.
- They need your help in financing the shift to this new and growing farming pattern. They're good farmers, but you're the expert in sound farm financing.
- 3. Soil conservation farming promoted under the direction of local men is the democratic way to build a solid agricultural foundation for the business structure of your community. There is no better way for you to work for the future of our nation.

Allis-Chalmers equipment is ideally suited to soil conservation farming. Machines such as the ROTO-BALER, Forage Harvester, and the ALL-CROP Harvester have done much to make soil-building crops profitable.

ALL-CROP and ROTO-BALER are Allis-Chalmers trade-marks.



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Listen to the NATIONAL FARM and HOME HOUR — every Saturday — NBC

ALLIS-CHALMERS

## Association of Bank Women Program

The 29th annual convention of the Association of Bank Women will be held at the Sheraton Hotel in Chicago on September 27-30.

A highlight of the convention will be the presentation of the Jean Arnot Reid Award to a young lady who has attained a high scholastic rating upon her graduation from the American Institute of Banking and who has demonstrated her qualities of leadership, service, and character. The association's president, Marion E. Mattson, assistant cashier of the Northwestern National Bank, Minneapolis, has announced the convention program as follows:

Thursday, September 27:

A.M.-P.M.—Business sessions.

Luncheon address—"Human Relations in Banking," by Dr. A. C. Van Dusen of Northwestern University.

Reception for association mem-

bers given by the Chicago bank women at The Drake.

Dinner address—"U. S. Foreign Policy—Review and Interpretation," by Louise Wright, director, Chicago Council on Foreign Relations.

Friday, September 28:

Divisional Breakfasts.

Panel discussions in morning by A.B.W. members—one on "Women's Finance Forums" and another on "Banking in the Present Emergency."

Luncheon address—"Education's Place in Banking," by A. Gordon Bradt, second vice-president, Continental Illinois National Bank and Trust Co., Chicago. Jean Arnot Reid Award presentation.

Loop bank tours during afternoon
—Chicago Title & Trust Company,
Continental Illinois National Bank
and Trust Co., First National Bank,
and Harris Trust & Savings Bank.

Reception and buffet—Courtesy American Express Company, Crystal Room, Blackstone Hotel.

Saturday, September 29:

Panel discussions during morning by A.B.W. members—one on "Trusts" and another on "Personnel."

Luncheon—Style show at Marshall Field's, with afternoon free.

Banquet address—"Faith and Freedom," by the Rev. William H. Alexander, First Christian Church, Oklahoma City.

Sunday, September 30:

Brunch address—"Today's Challenge," by Mrs. Hiram Cole Houghton, president, General Federation of Women's Clubs.

Installation of officers.

Marion E. Mattson



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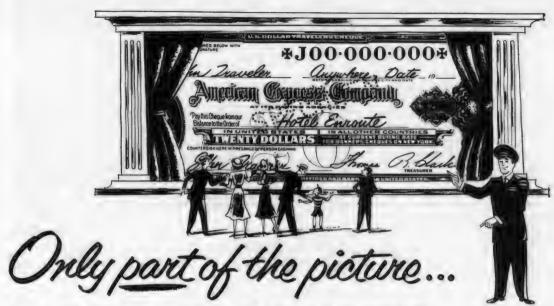
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## **Forest of Friends**

The newcomer to the Ellefsen Photographic Studio in Bagotville, in the Province of Quebec, is invariably startled. One is apt to think of a studio photographer as a person of fairly mature years. Marc Ellefsen is 21. In business for himself only since April of 1951, he already had three employees by last August. Though his story of swift progress is written in the sphere of art and photography, it is still a banking story. It is one which Canada's first bank, the Bank of Montreal, has helped to pen.

For the past five years, the B of M has taken part in the work of the Quebec 4-H Clubs of which Marc Ellefsen was elected president at the last annual convention.

Each August, the bank is one of the patron firms of the Annual 4-H Congress held in Montreal. At a luncheon which it sponsors for the hundreds of delegates, the bank awards a \$200 scholarship, plus a gold medal, to the winner of its forest protection contest. Regional winners are given silver medals. And every youngster at the luncheon this year was given a 4-H journal-album, published by the bank. In this book, the member can record his diary of 4-H activities and keep his permanent souvenirs as well.

Marc Ellefsen, provincial president of the Quebec 4-H Clubs, was able to open his own commercial photographic studio after winning a B & M-sponsored forest protection studio





J. P. Belley, manager, Bank of Montreal's branch in Hull, Quebec, addresses 4-H Congress delegates at the B of M's annual 4-H luncheon. This year's Congress was held at the Mount Royal Hotel, Montreal

#### Returns from Scholarship

After winning the B of M scholarship last year, young Ellefsen used the money to help pay for his studies at the Three Rivers Technical School. Had he not won, Ellefsen says, he would have had to discontinue his schooling. However, the scholarship enabled him to finish his education, without which he could not have started in business for himself.

He had first become interested in photography when he joined the Bagotville-Port Alfred 4-H Club at the time of its founding in 1946. Later, he made spectacular progress within the club and was awarded three independent scholarships. It was the preparation of one of these scholarship projects that kindled his interest in photography.

His project was a large album containing descriptions of various Canadian trees, together with reports on forest industries. To illustrate it, he bought a camera and began taking pictures. By Congress time last year, the finished album was a prize-winning work of art, and Ellefsen's broad smile displayed his happiness upon receiving the bank's award.

#### 4-H Emphasizes Forestry

French Canada's 4-H Clubs were founded in 1942 by the Quebec Forestry Association. While recognizing the useful work being done by the 4-H Clubs of America in agriculture, the QFA turned to forestry, still Quebec's most important source of wealth in many respects. The object was, of course, to develop an active interest among boys and girls from 10 to 20 years of age, in the conservation of the province's natural resources. In addition, the Quebec 4-H Clubs operate as study groups engaged in handicrafts and home economics.

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#### Motto

Taking their name from the American organization, whose motto is "Head, Heart, Hand and Health," the Quebec 4-H-ers' slogan is:

Honneur dans les actes (Honour in actions)

Honnêteté dans les moyens (Honesty in means)

Habileté dans le travail (Handiness at work)

Humanité dans la conduite (Humanity in behaviour)

#### **Industry Cooperates**

In addition to having the active interest of member companies of the Quebec Forestry Association the Province's 4-H Clubs are supported by a number of other business and industrial organizations, like the Bank of Montreal. All of these companies participate in the annual 4-H convention through offering scholarships, giving medals or sponsoring breakfast, luncheon, or dinner entertainments.



Camille Coutlee, left, president, Port Alfred 4-H Club and 1941 winner of the B & M's forest protection contest, is congratulated by Mr. Etlefsen

#### Public Relations Value

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The B of M also has reason to be happy about its 4-H connection. It is grass-roots public relations. The annual scholarships represent both a worthy public service and a firstclass builder of goodwill among Quebec's opinion-leaders of tomorrow. And the big luncheon provides an opportunity for many Frenchspeaking officers of the B of M to meet these youngsters, as well as representatives of other sponsoring companies and men high in public life. Finally, this year's Journal-Album, although free of advertising material, contains appropriate evidence of the bank's interest in 4-H and it is a reminder the average member sees constantly, within a valued and useful possession.

Quebec's 4-H Clubs have become an important youth movement within their first decade. The Clubs now number 210 throughout the Province. Their 9,000-odd members have planted over 457,000 trees throughout Quebec, and they do a major public service in helping to prevent forest fire. Even more important, however, from the point of view of Canada's first bank, is the opportunity to aid in the development of responsible and healthy-minded young people. The twigs are being well inclined . . . and so will grow the trees they become, in the forest of men.

> MUNRO BROWN Public Relations Manager Bank of Montreal

> > (END)

## Here's An Idea

No one makes money like the fellow who invents our fads.

Most of us are willing to follow the advice of our superiors if we can find any.

No old-fashioned man now sings of the girl he left behind. She's way ahead of him.

The other planets may not be able

to support life, but it isn't exactly easy on this one either.

Man does everything to eliminate all the faults in nature except those in human nature.

Money is no homing pigeon. Once gone, it never comes back.

Money doesn't go as far it did, but it stays away just as long.

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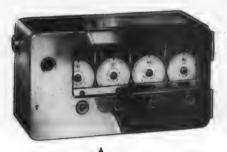
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## VCR Bulletins

#### Excerpts from Bulletin Number 5

As a result of inquiries from regional committees about the status of foreign borrowings in United States markets, the National Voluntary Credit Restraint Committee has discussed the status of such borrowings under the Voluntary Credit Restraint Program.

"The Committee concluded that all such credit applications on behalf of foreign borrowers should be screened to the same extent, and with the same purpose tests, as comparable American credits.

". . . In exceptional cases when a Regional Committee finds the facts available to it are inadequate to judge an application, the National Committee, if requested, will endeavor to obtain supplementary information from Government agencies."

#### Excerpts from Bulletin Number 6

"... The question has been raised as to whether a loan on securities not covered by Regulations U or T must be screened as to purpose even though the amount of credit advanced might be permissible under these Regulations. Such an interpretation would appear to treat the loans secured by unlisted stocks more severely than those on listed (i.e., 'registered') securities. In order to cure this ambiguity, the following principles are recommended for your guidance by the National Committee:

"(1) Loans on securities covered by Regulations U or T are basically for the purpose of purchasing or carrying listed securities. It is recommended, therefore, that all loans on securities for purchasing or carrying unlisted securities be presumed to be for a proper purpose if the amount of credit extended is no greater than that permitted in the case of listed securities by Regulations U or T.

"(2) Loans on securities, whether or not listed, but not for the purpose of purchasing or carrying securities should be made only for purposes consistent with the principles of voluntary credit restraint."

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## **Cotton Financing**

(CONTINUED FROM PAGE 82)

then available for a good inspection and proper description for a mortgage.

Productivity of the soil must be considered. Different areas are better adapted to certain crops than others.

In the absence of this information from the farmer, the Agricultural Adjustment Act brought about the compiling of yield figures per acre on all crops for a period of several years. These figures are available at the office of each county agent and are broken down by individual farms.

### Procedure in Closing Loan

With the preceding information, the loan officer can analyze the credit requirement. When his decision is that the loan should be considered. an inspection of the farm and security is essential on new applications. The officer familiar with this type of collateral, or the bank's farm loan agent, is the proper person to make the inspection.

Many advantages accrue from a visit to the farm. An accurate appraisal of the value of equipment and livestock is made. Observation of the condition of the improvements and the land are important factors. Does the applicant provide good shelter for his livestock and equipment? Does the appearance of the farm indicate that he is thrifty, that he diversifies and rotates his crops?

The laws of Arkansas create certain primary liens on crops in favor of the landlord until rents are paid. In cases where this lien applies, a rent waiver from the landlord should be secured. Such a waiver from the landlord will give the lending institution the right to collect all proceeds from the crop harvested until the loan is paid.

Before drafting the crop and chattel mortgage an abstract of records of chattel liens and judgments for a period of the six preceding years is requested from the office of the recorder of records in the domicile county of the applicant. The statute of limitations in Arkansas runs after five years. With this abstract it is possible to determine any unsatisfied liens against the applicant's property.

Crop and chattel mortgages are standard-form instruments and may be purchased from a local printer. Liens incorporated include any equipment and livestock, particularly described, all crops of any nature grown, and any amounts evidenced by accounts receivable of tenants for monies or supplies furnished. The mortgage provides for advances of specified amounts monthly, generally beginning with March and ending with August. The advances are determined by the amounts set out in the budget. Weather conditions may alter the dates and amounts of the advances. Unseasonable rains will create expense of cultivating at times other than provided for in the budget: also insect infestation will have the same effect.

Past experience has proved that the encouragement of a diversified farming program will strengthen the ability of a borrower to repay. Through the cotton-producing sections the one cash crop enterprise is disappearing at a rapid rate.

(CONTINUED ON PAGE 132)

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(CONTINUED FROM PAGE 130)

Livestock programs are increasing with success and rank second in some sections to cotton as a source of income. Oats, corn, hay of various kinds, rice, and soy beans comprise the other major crops for diversification.

This amount fluctuates in this section over a wide range of approximately \$30 to \$60 per acre not including harvesting or cost of ginning. This cost factor is controlled mostly by the weather, insect infestation, and labor. The average yield in normal years by a good

farmer is from three-quarters of a bale to one and one-quarter bales of cotton per acre.

#### Hazards

Weather conditions present the number one hazard in production financing. The cotton season is a long one. Beginning with breaking the land in February and March, planting in April, chopping in May, cultivating until some time in August, and picking from September through November, the farmer has to depend on all seasons of the year. Too much or too little rainfall will

reduce yields, and excessive rainfall during picking season will lower grades materially.

Boll weevil, leaf worm, and boll worm infestation cause much damage to the cotton plant. The boll weevil is an insect which punctures the immature cotton boll, killing it, The leafworm destroys all leaves on the cotton plant, thereby reducing the yield. The boll worm ravages the immature cotton boll preventing it from maturing into a lock of cotton. All of this type of infest tion can be controlled, to a large degree, by poisoning. Airplane dusting with poison has proved a fast and successful operation in combating such a hazard.

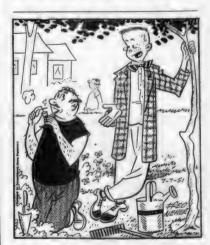
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The price of cotton is the controlling factor in the farmer's application for credit requirements. Naturally, wide fluctuations in the market price will provoke questions regarding repayment of the loan. At the present time there is a floor under cotton prices which will be established by the availability of a CCC cotton producer's loan.

## Good Loans

Science, technical knowledge, and mechanization continue to eliminate many of the hazards of cotton production financing. The successful farmer of today has an investment of from \$40 to \$50 per acre in marketable machinery and equipment as security for your loan in addition to his crops.

The records of banks in large cotton-producing areas will reveal that sound production financing is the most profitable and safest loan that can be made over a period of years.



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## World Business

(CONTINUED FROM PAGE 51)

local Chinese. Burma's Government, strictly neutral between the U.S. and USSR, desires more ECA and Point IV aid "to combat communism!" Yet it abstains from the Japanese peace treaty because it wants reparations from U.S.-subsidized Japan. For U.S. taxpayers it looks like a case of double jeopardy.

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#### SPAIN

Washington has decided that it is time to include Spain in the West's defense plans, despite British and French fear that this will reduce our aid to them. We know nothing about military matters ourselves so cannot judge the argument that, once equipped by us. Franco's trained legions will fight for us anvwhere in Europe The neutral Neue Zurcher Zeitung, however, from its closer vantage point, sent a correspondent to Spain. He reported that even with large outside aid Spain is neither able nor eager to do much, if anything, for the west in general and NATO in particular. The U.S. has been seeking air and sea bases in Spain. In Congress Spain's

chief champion, and an effective one, has been Nevada's Senator Pat Mc-Carran, who recently called high Eximbank and State officers to explain to the Spanish Ambassador in his presence why they were dragging their feet.

COLOMBO PLAN isn't much, The Ceylon Economist thinks. Only 10 percent of it is for mining and industry because neither the U.S. or UK would lightly contemplate "all the horrors of competition." The plan is just "the old imperialist technique," to which Britain contributed "with characteristic generosity" release of sterling balances—something she would have had to do anyway.

INDIA AND PAKISTAN by 1991 will have at least 614,000,000 inhabitants, the unpleasant implications of which Indian economists are pained to consider. India's five-year plan hopes to make a start on birth control.

NEUTRAL INDIA'S exemption from the Kem Amendment's prohi-

bition of aid to countries which send military goods to communist lands has angered some Senators.

TARIFF CONCESSIONS have been withdrawn from Czechoslovakia by President Truman. You will also have to pay more for goods imported from Latvia, the Kurile Islands, Outer Mongolia, Southern Sakalin and Tanna Tuva, in case you are interested.

ANEURIN BEVAN recommends a vast economic-aid program for Asia. . . . JESS LARSON heads the new U.S. Defense Materials Procurement Agency. . . . PRESIDENT TRUMAN is "happy to see that the British Government has . . . accepted the principle of nationalization" in Iran. . . . ECA aids alike the liberated elements of European empire in Asia and the colonies still held by Britain, France, Portugal, and Belgium in Africa. . . . CHILE has got our consent to a 3-cent increase in copper. . . . DEAN ACHE-SON says collective security is like a bank account that must be replenished periodically. Like your wife's account, he means. You put the money in and she takes it out. In this sense Uncle Sam, Polygamist, is married to the world.

## North of the Border

TRADE between Canada and the United States has continued in record proportions, both in value and in volume. Canada's imports from the United States to the end of August exceed \$1.5-billion, representing more than two-thirds of all Canadian purchases abroad and being about half as large again as those in the corresponding period of last year. There were considerable increases in the major commodity groups, iron and steel rising by more than 40 percent and textiles and fibres almost doubling, while there were almost as striking increases in machinery and miscellaneous commodities. About half of the rise in the value of imports was due to higher prices and the other half to an increase in volume.

Canadian exports to the United States were substantially higher than in 1950, but continued well below those of imports of American products, with the result that the merchandise trade deficit was heavily against Canada. However, American capital imports into Canada for investment in the new oil fields of the Western Provinces and in the iron, titanium and copper-zinc deposits of Quebec and Labrador have helped Canada maintain a fairly well balanced exchange situation with the United States.

## Overbalance

Looking to the future of trade and defense relationships between the two countries, some formal and informal discussions between high American and Canadian authorities promise an even better balance. As mentioned in former issues of BANKING, Canada's purchases of military equipment have greatly overbalanced orders for Canadian materials from the United States.

A fishing jaunt of Charles E. Wil-

son in the company of Canada's Minister of Trade and Commerce, C. D. Howe, in Quebec seems to have led up to a decision by Washington



Toronto's Bay Street

to give Canada more opportunities to seek armament orders in the United States, even to the extent of \$300,000,000 per year, about equal to the amount that Canada is spending this year to obtain American military equipment. These moves were followed by discussions in Washington between American and Canadian authorities with a view to integrating more closely the armament programs of the two countries and of equalizing prices of the most important materials required for them. If the informal and formal agreements work out satisfactorily, that is if Canada can obtain suffi-

cient orders for armament from the United States, her trade balance with that country should be better adjusted and she should be able to proceed, without any serious difficulty, in her capital expansion program, the largest on record, and involving expenditures of this character of more than \$4.5-billion in 1951, largely for the development of natural resources, particularly oil and iron, and of new industries. Nearly half of the amount mentioned would be for new machinery and equipment, a considerable part of which would come from the United States.

American tourists, who appear to be in slightly greater numbers than a year ago, are giving aid to Canada's U. S. exchange situation as well as to its domestic trade. This trade, however, particularly in motor vehicles, electrical appliances, house furnishings and certain textiles, continues well below that of the year previous. Canadian merchants are finding American tourists more price-conscious than in most former years and that their spending is quite selective. Prices in Canada have continued to rise throughout most of the elapsed part of 1951, but are expected soon to show the effects of the down-turn in the United States and of bumper crops over most of the Dominion. Moreover, a decline in Canadian meat prices, which reached record heights in recent months, is expected as a result of the new American price regulations forbidding imports of livestock or dressed meats at higher than prices fixed in the United States. For months past, American buyers have been very active in all major livestock districts in Canada, paying as much as a third above Canadian prices for good beef.

## Investment Bonds and Stocks



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#### **Credit Easing**

The easing of credit restrictions in the United States may also soon be reflected in Canada, particularly as the Canadian regulations are much more stringent than even those formerly in effect south of the border. Furthermore, the Dominion Government's financial position is so favorable as to be almost embarrassing, and the current fiscal year might end with a budgetry surplus of \$200,000,000, nearly 10 times that forecast by the Minister of Finance for the 12 months closing March 31.

"When the guard looks the other way, Pop, you sneak out the door, and we'll go fishing!"





A Wolf, disguising himself in the skin of a sheep, and getting in among the flock, easily caught and devoured many of them. And Aesop, in his application of this famous fable said, "Thus it is we see tyranny stalking along under the mask of care and protection." How well that fits the "economic planners" who promise us cradle-to-the-grave security but who fail to mention it will be at the sacrifice of our right to live where we please, work at what we please and spend the fruits of our toil and industry as we please.

Herbert Hoover on his 75th birthday said, "...monopoly of power in the hands of Government instead of the people, is peddled in sugar-coated pellets by those who covet the power...they talk of a "welfare state," when they mean a state where men's freedoms are exchanged for a Government dole."



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## World Bank Report

The International Bank for Reconstruction and Development has reported a net income for the fiscal year ended June 30, 1951, of \$15,156,947. Net income for the preceding fiscal year amounted to \$13,698,398.

Gross income, exclusive of \$6,388,543 set aside in the special reserve, amounted to \$28,202,542 for the year, as compared with \$25,464,065 for the preceding fiscal year. Ex-

penses totaled \$13,045,595, including \$4,843,447 administrative expenses and \$8,202,148 bond interest and other financial expenses.

In accordance with the decision of the executive directors and the Board of Governors, all net income for the entire period of the Bank's operations has been placed in a general reserve against losses on loans and guarantees, and on June 30, 1951, this reserve was \$42,155,217.

Loan commissions for the year were credited to the special reserve for meeting the Bank's obligations as required by the Articles of Agreement. This reserve amounted to \$20,125,748 on June 30, 1951. Total reserves were \$62,280,965.

During the fiscal year the Bank made loans totaling \$297,080,000, bringing total commitments at June 30 to \$1,113,525,000. Repayments of loan-principal to the Bank were all received on schedule and amounted to \$5,549,135, bringing total repayments to \$6,101,271. In addition, \$3,000,000 principal amount had been repaid to others than the Bank in connection with bonds of its borrowers which had been sold by the Bank.

Disbursements on loans amounted to \$77,564,969 in the year, bringing total loan disbursements at June 30, 1951, to \$691,727,129. The undisbursed balance of effective loans at that date amounted to \$351,735,295. Of disbursements in the last year, \$53,300,000 (68.6 percent) were spent in the United States and \$24,300,000 (31.4 percent) in other countries.

At June 30, 1951, the Bank had 49 member countries and a total subscribed capital of \$8,338,500,000. The Bank's capital was reduced by \$125,000,000 after the withdrawal of Poland by the Bank's repurchase of 1,250 shares to which Poland had subscribed. However, it was increased by \$115,000,000 with the admission of Ceylon and Pakistan.

During the past year the Bank sold \$5,017,496 of bonds received from borrowers pursuant to loan agreements which increased the total of such sales to \$33,017,496 principal amount. These sales were made to purchasers in Canada, Europe, and the United States.

In the past fiscal year the Bank sold two issues of its own bonds. These consisted of \$50,000,000 of 3 percent 25-year bonds in the United States and £5,000,000 (U. S. equivalent \$14,000,000) 3½ percent 20-year sterling stock in England. Also early in July 1951 the Bank sold an issue of 3½ percent 12-year Swiss franc bonds in Switzerland in the principal amount of Sw. fr. 50,000,000 (U. S. equivalent about \$11,600,000).

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## Bank Credit

(CONTINUED FROM PAGE 35)

Seventh, commercial and industrial outlays for capital goods (buildings and machinery) are expected to reach a 1951 total of \$24-\$25-billion, an all-time high. While it now appears that residential building in 1951 will be less than in 1950, overall outlays for construction should continue high and should add to active fall business.

Eighth, Congress has weakened the terms permitted by Regulation W. Many people feel that this will result in a larger volume of sales of automobiles, television sets, appliances, furniture, and other items which have been in large supply.

Ninth, there are other credit controls of a selective and general character administered by the Federal Reserve System which are now in effect. These, together with the Voluntary Credit Restraint Program, should dampen to some extent certain inflationary pressures.

Many other factors might be considered but we have tried to discuss some which should have a major effect on our economy this fall.

On balance then, it appears that we should expect active business this fall and the continuance of certain strong inflationary forces.

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What will be our probable fall loan volume? Starting from the exceedingly high loan figure for all banks of about \$64-billion (estimate of June 30, 1951). I believe we can safely guess that our total loans this fall will be somewhat higher. The larger and probably highpriced farm crops will undoubtedly require substantially larger loans to move them to market. While agricultural production loans should drop, commodity loans could well reach all-time high figures. Defense activity should rise greatly and result in sizable increases in loans. The easing of Regulation W terms could halt the decrease in, if not actually increase, consumer credit loans. Commercial loans (other than for crop movement and fixed assets) should rise above their present level but it is not felt that these will increase as rapidly nor as much as was true in 1950. That substantial capital goods expenditures of business and industry should result in some increase in bank loans and a further rise in real estate loans appears probable.

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## High Figure in Prospect

To summarize, it would seem that loans of all banks should increase this fall and probably reach an alltime high figure. The rise in the last six months of 1950 was about \$8.5-billion (from \$52- to \$60.4billion) and was accelerated by rapidly rising prices and scare business activity. While the increase this year may not be as great, it would not be surprising to see total bank loans reach \$68- to \$70billion. This may take place in spite of selective credit controls and despite the very excellent cooperation of the banks in the Voluntary Credit Restraint Program. voluntary effort has without doubt held down loan totals materially. So much for the quantitative guess.

What about the quality of our loans?

It's entirely possible that our present loans and many of the loans which we make this fall may be more vulnerable than at any time in the past 15 to 18 years. Let's list a few of the weak points.

(1) Because of the low purchasing power of the dollar, coupled

with the high business activity, many of our customers are already borrowing heavily in relation to their net worth and working capital in support of very high sales. In other words, the capital cushion is much thinner than customary.

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(2) The exceedingly heavy sales volume of some customers in relation to net worth and working capital can prove a very dangerous thing. In a period of high sales activity, when inventory and receivables turn very rapidly, a very large volume of sales can be handled with relatively little capital. Some of these customers owe us nothing now. However, a slowing in sales or in collections can quickly bring about a top-heavy debt condition with insistent requests for loans from us.

(3) There is much greater risk in operating a business at this high-price level than is apparent at first glance. Possibly we are standing to-day on one of the top rungs of the price ladder.

(4) Usually management becomes lax and less efficient in periods of high business activity. Expenses are not watched carefully. Sales ability declines. Products are less efficiently manufactured. Also, remember, many of our customers have never operated a business except on a generally rising market. Business activity is not a one way street.

(5) In many lines today additional productive facilities are being provided. Certainly in some of these, before long, there will be more manufacturing capacity than will be needed by our economy. Then there may be price wars, unprofitable operations and headaches and heartaches, too.

### **Appraise Loans Carefully**

These are some of the things that make our present and contemplated loans exceedingly vulnerable. Already we are seeing weakness in some of our formerly strong credits. Current statements show debt to be too high in many cases. Indications are also present that in many situations inventories are very large and are unbalanced. Expenses are out of line with sales and with good business practices in some cases.

We should, therefore, do two things if we are to hold down our problems and reduce our losses.

First, we should address ourselves to an appraisal of our outstanding

loans on the basis of present conditions. We should attempt to strengthen now any weak features.

Second, in the granting of new loans, let's consider that we are operating perhaps in the boom phase of the business cycle. Let us appraise our loans intelligently on the basis of complete information and arrange the terms and repayment requirements in the light of present-day conditions.

To summarize, while, as always, there are counter forces at work in our economy, it would appear on balance that business activity this

fall should continue strong. This is based on the assumption that defense spending will be maintained at very high rates and that overall production does not increase greatly. Because of the expected business activity, total bank loans will probably rise and could reach \$68-\$70 billion between now and December 31. 1951. While the quantity of our loans will probably increase, the quality of these may decrease. Great care should be exercised in the appraisal and strengthening of our present loans and in the appraisal and servicing of contemplated loans.



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## Stopping Inflation Is Everybody's Job

Gamma Cause of inflation is the pressure of Government spending and private spending," said W. Randolph Burgess, chairman of the executive committee, The National City Bank of New York, on a recent "Americans, Speak Up!" broadcast. "Controls, while they may do some good temporarily, do not go to the core," he said. "Only the citizens can check the spending stream at its source. If they do not compel

Government economy and practice personal economy, they will all pay the price of inflation."

This broadcast on the subject, "Stopping Inflation Is Everybody's Job," was one of a series of transcripts produced by America's Future, Inc., New York, New York, a non-profit organization which prepares 15-minute broadcasts by top men in American business, Government, and finance.

Bill Slater was the master of ceremonies on the Burgess broadcast and he asked some pertinent questions on the causes and cures of inflation. A digest of some of Mr. Slater's questions and Mr. Burgess's answers follow: Fe the

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SLATER: "Who suffers most from inflation? Nearly everybody seems to be sure that he does."

Burgess: . . . Everyone suffers whose pay does not rise with prices. The great middle class suffers—the people who are the backbone of any country."

SLATER: How can we prevent price from rising?"

BURGESS: "The formula is very simple. We must as a nation and as individuals PRODUCE MORE, SPEND LESS, and SAVE MORE. Our big trouble is spending. The Government and the people have all been scrambling to buy things, more things than there are to buy. So the prices have gone up."...

## A MESSAGE FOR ABA CONVENTIONERS AND 'STAY-AT-HOMES', TOO-



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Why not come in and visit us at the bank while you're attending the American Bankers Association Convention? And, of course, we'll be seeing you at the official sessions, and in between times in the reception areas and convention meeting places.

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#### **Government Policies First**

SLATER: "That sounds convincing —but just how do we go about reducing the spending?"

BURGESS: The first thing is Government policies.... The first thing is to cut back unnecessary spending of government to make room for the defense spending...."

SLATER: "How else can we check inflation?"

Burgess: "I would put banking policies next—the banking policies both of the Government and of the banks." . . .

SLATER: "Which way has the Federal Reserve been pushing recently?"

BURGESS: "The system had to help the Treasury finance World War II. So it pushed to create more money, and cheap money.

"But they kept it up too long after the war. Instead of working for the general public welfare they were working to keep the prices of Government securities high. They bought a great many of those securities, and so poured out money when there was already too much money in circulation."

#### **New Reserve Policy Effective**

SLATER: "But this is changed now, is it not?"

BURGESS: "Fortunately a new agreement between Treasury and Federal Reserve restored freedom of the Federal Reserve to use its power against either inflation or deflation. In the past few months the Federal Reserve has been using its powers courageously and I think effectively."

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SLATER: "To discourage inflationary use of money?"

BURGESS: "Yes. The agreement freed the Federal Reserve System from having to peg the market price of Government securities; it made money a little harder to get for projects that could wait, and made lending policies of banks and insurance companies more conservative and more selective."...

SLATER: "Will you please list some of the elements that can start a new inflation or keep the present inflation going?"

BURGESS: "Military spending, regardless of the outcome in Korea, will rise steadily. Present spending and tax policies point to a Treasury deficit in the next half year.

"Federal and state governments are still spending heavily for nonessential purposes. Business and people generally are still heavy spenders. All this spending could start the inflation going again."

#### How Much Without Inflation?

SLATER: "Now the weapons to fight a new inflation, if it starts?"

BURGESS: "Government spending policies and banking policies are the two greatest influences. There is plenty of room to strengthen them further. The other necessity is a better public understanding of the job to be done.

"This country can devote from 10 to 20 percent of its productive capacity and manpower to defense without inflation—but only if we stop trying to carry on at the same time a record-breaking program of housing and public works and business expansion in nonessential lines."

Mr. Burgess is chairman of the Economic Policy Commission of the American Bankers Association.

#### Over 100 Transcriptions

Well over 100 of the America's Future broadcasts have already been recorded. The transcriptions are made available to radio stations around the country for use either as a sustaining program or a program sponsored by local business firms





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## The Comptroller Reports

THE 88th Annual Report of the Comptroller of the Currency shows that on December 30. 1950, there were 14,666 commercial and savings banks in the United States and possessions with deposits of \$176,120,158,000. Of these banks, 13,640, or 93 percent, with 95 percent of the deposits, were insured banks. The national banks, members of the Federal Reserve System. represented 34 percent of all banks and held 51 percent of the total deposits. The 529 mutual savings banks, of which 194 were insured, held \$20,031,336,000 of deposits.

## Assets and Deposits Up

The total assets of all classes of active banks in the United States and possessions on December 30, 1950, amounted to \$192,241,000,000, an increase of \$12,198,000,000 since December 31, 1949.

The total deposits at the end of 1950 amounted to \$176,120,000,000, an increase of \$10,876,000,000 over 1949.

With 4,969 national bank charters in force on December 31, 1950, the total national banks had decreased by 14 from the preceding year.

As of the last day of last year, 326 national banks were operating a total of 2,153 branches, including eight seasonal offices. In nine of the states (California, New York, Washington, Pennsylvania, Massachusetts, Oregon, Michigan, New Jersey, and Ohio) there were 186 national banks operating 1,613 branches, which was 75 percent of the number of all branches at the year end.

During 1950, 159 branches were brought into the national banking system. Of these, 92 were authorized to operate in places other than the city in which the parent bank is located. During the same period, eight branches were discontinued.

#### **Earnings Up**

The net operating earnings of national banks in the year ended December 31, 1950, were \$855,000,000,

(CONTINUED ON PAGE 144)



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(CONTINUED FROM PAGE 142) an increase of nearly \$100,000,000 over the amount reported for the preceding year.

Gross earnings were \$2,192,000,-000, an increase of \$188,000,000 over gross earnings for 1949. At the same time, operating expenses, excluding taxes on net income, were up to \$1,337,000,000 as against \$1,-248,000,000 in 1949.

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As of the last day of the year, the Office of the Comptroller of the Currency had in its employ 1,115 persons. The expenses of the office incident to the supervision of national banks are met largely by fees assessed against the banks, says the report. Such expenses paid from these assessments for the calendar year 1950 aggregated \$6,965,824.53.

#### Capitalization

In the words of the report: "Unremitting attention has ben given to adequate and sound capitalization of national banks, especially in view of increased hazards necessarily involved in a greatly increased loan volume during an inflationary period. While a few bankers (with executive experience limited in many cases to the past 15 years) argue that the character of their lending and general management policies provides a sufficient substitute for increased capital, the vast majority agree with our principle that there is no acceptable substitute for the protection afforded both depositors and shareholders by an adequate capital structure. A number of banks voluntarily increased capital through sale of new stock, and the general response of the managements and shareholders of national banks to recommendations that additional capital be provided to accommodate their increased volume of business has been gratifying."

Despite a decrease in the number of national banks, the report continues, "the capital structure of the system increased almost \$400-million during 1950, reaching \$6.3-billion at the end of the year. In addition, reserves for bad debts were increased by \$77-million to a total of \$388-million."

#### Manpower

The Comptroller's report says that banks are feeling the manpower pinch caused by requirements of the armed services and of expanding industry.

# Help Employees Stretch Their Aptitudes

Do individual differences set ceilings above which it is impossible for one to rise? Maybe yes, maybe no—it depends partly upon the person, partly upon his employers and teachers.

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But scarcely one person in 10,000 comes anywhere near the ceilings in the use of his aptitudes or capacities. A good example is that the blind, who have no more acute sense of touch than the average seeing person, make keen use of this sense in daily life; blindness forces them to use other senses with a skill that seeing folks neglect to develop.

Ability is aptitude plus application. Or it may be aptitude times

There is often a big gap between the aptitudes one has, and the aptitudes one uses. William B. Given, Jr., who became president of the American Brake Shoe Company at the age of 43, expressed it this way: "How much more is my inherent ability than my effective ability? No one ever gave his best. It's just as true about you as the man under you, and worth keeping in mind."

THE differences which show up between individuals in daily life are partly the result of differences in the motivation to use what capacities they have. A motive to make good gives one application to develop the use of one's powers and raise their ceilings. Many drift along, although they have the capacity; it is drive or push that is lacking.

Elihu Burritt was a blacksmith in New Britain, Connecticut, who became an internationally famous linguist and advocate of world peace. He did not let his head sit down too much. He developed mathematical skill by doing sums in his head while pumping the bellows of the forge. Latin and Greek were started the same way, using blank

moments at work when his head might have been idle. Later he organized the Brussels Peace Congress.

William E. Gladstone had an easier start in life than the "Learned Blacksmith," but this wealthy merchant's son was in the lower quarter in aptitude for mathematics, so failed his college entrance examinations. Methodically he worked to improve his powers with numbers, took the examinations again, and the future prime minister graduated from Christ Church College with the highest honors.

Great teachers, and great business leaders, have the knack of stimulating individuals to stretch themselves, so they come nearer to using the full measure of their aptitudes. This requires an evaluation of the person as an individual, to discover (1) what he needs to develop, (2) the motives which will produce the strongest response from him

Very few people are self-winding. Gladstone and the "Learned Blacksmith" were, but most people are indebted to some teacher or boss who wound them up.

There are ceilings on individual ability. But most of us leave too much head room between our aptitudes and the ceiling. Methods of work and motives for working increase the apparent differences between people of similar capacities.

It pays to raise one's ceilings. But it also pays to know where the ceiling is, so one doesn't bump against it when it can't be raised. As Washington Irving wrote, "When I cannot get a dinner to suit my taste, I endeavor to get a taste to suit my dinner."

Donald A. Laird
(Dr. Laird, who writes frequently
for Banking, is a well known author, teacher, and advisor on problems of psychology in industrial
relations.)

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TPNFC

Banks and other businesses using microfilm were advised by the Kansas City Branch of Recordak Corporation to put their microfilm rolls under water, even after they were salvaged from the flood.

Where leakproof containers were not available, bushel baskets, boxes, and wastebaskets were used to transport the film to the Recordak processing station. When received this way, the film was immediately put to soak in water to await washing and drying.

One bank in the flooded area salvaged over 2,000 rolls of microfilm records of checks and statements. All of these records, except for a few images on the outer layers of the film rolls, were restored in good condition and with original legibility.

The processing station in Kansas City operated around the clock, seven days a week, to handle the salvaging work.

The films were washed, dried, rolled on a new reel, and put in a new file box. The original containers were dried and returned also.

#### **Tenant Act Liberalized**

A BILL increasing the limit on farm improvement loans obtainable through the Farmers Home Administration, under the Bankhead-Jones Farm Tenant Act, and lengthening the term which the loan may run before repayment was passed by the House of Representatives on August 13 and sent to the White House for Presidential approval.

The bill raises the ceiling from \$3,500 to \$7,000 on initial loans for the purchase of livestock, seed, feed, fertilizer, and other farm needs. The total debt limitation (principal plus accrued interest) on such loans would be increased from \$5,000 to \$10,000 and the maximum loan term extended from five to seven years.

## Federal Taxation of Banks

A STATEMENT on "How Commercial Banks Are Affected by Federal Taxation" was filed by M. A. Schapiro, of M. A. Schapiro & Company, New York City, with the Senate Finance Committee on August 2 in connection with hearings on the pending tax bill, H.R. 4473.

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In the introductory remarks to Mr. Schapiro's statement he says: "To help banks in their need for new capital, certain penalty features

STATEMENT on "How Commercial in existing tax laws require correction.

"Normal or nonexcessive earnings of 6 percent (i.e., before excess profits tax but after regular corporate taxes, now at 47 percent) require a definition of 12 percent on all invested capital, not on just the first \$5.000.000.

"Further, to encourage the flow of new capital, banks should be permitted to hold, without penalty, tax-exempt securities in an amount equal to their total invested capital, including, of course, any new capital. Only those holdings in excess of this amount should be made cause for reduction of the invested capital credit.

"Taxing authorities should examine and remove inequities and technical difficulties, particularly those which prevent banks from using the 'average earnings' method.

"In this way alone, will the case for bank capital be strengthened in the eyes of investors, and banks once again have access to the capital they need."

Elsewhere Mr. Schapiro says:

"Federal taxation denies investors fair hire for the very money which enables commercial banks to operate as private enterprises. The withdrawal of existing capital is actually taking place, as evidenced by the increasing number of bank mergers throughout the country. Tax laws allow little incentive for shareholders to approve proposals for additional capital, now of increasing importance to banks serving an expanding economy."

"It should be remembered that earning power of 6 percent net after taxes is calculated before provision for losses. Banks differ from public utilities. At the year end, the results for an electric power company are known, but in the case of a bank, only interest income, fees and expenses are known. The losses are unknown. In banks, the returns do not come in together. It is basic to banking that provision for losses be made out of sufficiently adequate current earnings, not out of existing capital funds. Therefore, in defining normal earnings not subject to excess profits taxes, it should be possible for banks to set aside out

of recurring earnings the added cushion for losses. Hence, earning power at 6 percent is not enough for banks in good times when the risk factor is in the ascendance.

"If independent banks are to continue, they must be profitable to shareholders. All bank managements throughout the country have the obligation to state their shareholders case to taxing authorities.



visiting in Houston

the perfect home-away-fromhome—conveniently accessible to every corner of Houston and its wide-spread banking, commercial and industrial centers—easily available to Houston's Airport—at the hub of major East - West and North-South Highways in uptown Houston, away from the city's heavy business traffic.

The Shamrock's luxurious appointments, unrivaled cuisine, excellent service and reasonable rates (single rooms at \$6.00) make it truly America's Magnificent Hotel. And for relaxation, there's always big name entertainment. Write, wire or call for reservations—Teletype HO-192, Long Distance Houston LD 1.

Two great pro football teams—the Detroit Lions and the New York Yankees—meet in The Shamrock Charity Bowl Game the night of Friday, Sept. 21, in mammoth Houston Stadium, Plan your Houston trip to include this classic.

OLENN McCARTHY, President M JACK FERRELL, Executive Monager

## BURIED

Your bank's statements can bury some pretty important facts. Such, for instance, as a fine reputation that was years in the building. Or the "plus" of having, as correspondents, banks that will go out of their way to serve you.

First National is such a correspondent bank—has been, ever since its founding almost 90 years ago. It offers friendly, resourceful help with any problem, large or small. It works as a partner with you—yet, so far as your customer is concerned, stays wholly in the background. Its credo is this: cooperation, not competition.

If you'd like this kind of representative in America's third largest city, we invite you to get in touch with us.



FIRST NATIONAL BANK OF PHILADELPHIA

> Harry C. Carr Chairman of the Board

William B. Walker, President Philadelphia 1, Pa.

Member Federal Deposit Insurance Corporation

# A Matter of Percentage

THE farmer sat down at the banker's desk, pulled a yellow monthly statement out of his pants pocket, and unfolded it.

"Charlie," he began, "some time back you told me I had too much money lying idle in my checking account—that I ought to invest it. I talked it over with my wife and she agrees. Your advice was to put it in Defense Bonds. She thought

so, too. But, the way I see it, we bought our share of Defense Bonds during the war and we've still got them. Now I think we ought to get more of a return than Uncle Sam pays. There ought to be something safe that pays better."

The banker leaned back in his chair and looked out the window at Main Street. He was thinking that there are a lot of good cars parked out there these summer days.
"By the way," he said, "I hear
Henry went up to the city and en-

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The farmer nodded. "We sure miss him. Not having any children of our own, he was more like a son to us than just a neighbor's boy. He was my right hand, and I'm not as young as I used to be."

"Uncle Sam pay him better than you did?" the banker quizzed, his eyes twinkling.

"Well, no. Henry had a real future with us, and he knew it."

"Draft board probably would have exempted him—essential to your farm operation," the banker pursued. "At least he could have waited to be called."

"Yes, but he thought he ought to go."

"Well, now, Ed," the banker pursued, "suppose Henry had gone to the draft board and said: 'Gentlemen, I got your invitation. But I've got a future where I am. I've got a jalopy of my own. I've got a nice girl, going steady. I can get a better return for my time and work right here on the farm. I'm sorry, but I'm not interested. There's just not enough of a percentage in it for me'."

The banker's smile faded out. "Suppose all the young fellows in the United States gave the same answer—and could get away with it. Ed, I suppose you know what the communists do to capitalists like you and me when they take over. If we let the communists take over this country, how long do you think you'd be worrying about where to invest all that cash you've got in the bank?"

The farmer thought a minute, pulled out his checkbook. "Charlie, you win. You can put the limit in Defense Bonds for me and my wife as co-owners. I don't aim to be a percentage patriot."

CHARLES WATTS, Pocahontas, Iowa

Imitation is the sincerest flattery and the toughest competition.

The father who is intelligent never takes his son's intelligence test.



#### ARE YOU LOOKING TOWARDS PERU . . .?

The promotion of Peruvian foreign trade has been one of the main objects of our bank ever since its foundation over 60 years ago. If you are interested in doing business in Peru a letter addressed to us will assure you our friendly co-operation.

## BANCO DE CREDITO DEL PERU

Head Office - - LIMA

60 Branches Throughout the Country
CAPITAL - S/.40,000,000.00 SURPLUS - S/.48,271,227.93
"Peru's Oldest National Commercial Bank"

# NEW... A PAYMENT COUPON BOOK

which reproduces

#### Perforations as Legible as Printing

- More error-free postings per hour.
   Less eye-strain per day.
- Perfect identification of mail payments. Faster personal service.
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Many of the best known Banking Names in the Time Credit Field have adopted this ultra-modern Payment Book on sight. Only by seeing this new book can you appreciate its legibility, flexibility and waste-reducing features. We invite you to write for an assortment of samples, perforated with amounts, dates and account classifications. No cost. No obligation. Write today.

ALLISON COUPON COMPANY, INC.

#### Head of the Fed

(CONTINUED FROM PAGE 49)

the board. Martin supported the U. S. position that the board should consist of fulltime, well paid, active directors having large and appropriate authority. "I was on the train," said Bill, "with Lord Keynes about this time when he had his first collapse due to a heart attack. The news of this was kept fairly quiet. I remember we talked about his article years before in the Economic Forum."

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Today Governor Martin is still U. S. Director of the International Bank, in addition to being head of the Federal Reserve System.

"In the operations of the Export-Import Bank," he said, "foreign policy is an extremely important factor in determining whether a loan should be made, although this

#### Reserves

Senator BRICKER. "Do you feel, Mr. Martin, the Federal Reserve Board needs any more power, either to impose credit restrictions upon Federal Reserve or upon commodity credit speculation?"

Mr. MARTIN. "I would like to see them have a little bit more power on reserves if we are going to continue in the situation that we are in now."

should never mean that a bad loan should be made for political reasons. I went to New York and talked to a great many bankers about this policy. They all said that we should not make political loans, but in exploring the question of what they meant by 'political' in this sense I found they all meant simply 'bad' loans."

He was one of eight staff men who went to Bogota with General Marshall in April 1948, and was a first-hand witness of the revolutionary activities in Bogota at the time of this meeting. This was one of the regular inter-American conferences on financial and cultural questions in which about 20 nations participated.

He said that if conditions reap-

#### Definition of "Orderly Market"

"In the stock exchange we always said that if there were no bid in reasonable relationship or no sale in reasonable relationship to the previous sale the market was disorderly. In other words, if steel was selling at 50 or Government bonds were selling at par and the next sale was 98¼ I would say that was not an orderly market."—From hearing before the Committee on Banking and Currency, United States Senate, March 19, 1951.

peared similar to those existing at the time the bond market pegs were instituted, the pegs would be put back into effect. In his opinion, the fact that they have been relaxed for the time being would not make their reimposition more difficult. He believes the removal of the pegs on March 5 is working out constructively and that the stability of the bond market depends in the long run on the national budget.

Asked about the complaint of home builders that the decline in the bond market had prevented insurance companies from selling bonds and obtaining mortgage money, Governor Martin says that nobody knows what that situation might develop into, but he did not regard it as warranting any great concern.

#### Pegs

Senator Douglas. "Could you see dangers in the Federal Reserve continuing to support the bond market by buying bonds, which is apt to result in swelling bank reserves? Do you see dangers?"

Mr. Martin. "I certainly see dangers in that, Senator, and I would hope that we can devise means of preventing those purchases. I am very hopeful of this conversion plan. I think that may be extended."





- · Your choice of Subjects
- Personalized Messages
- Round the clock Advertising
- Low cost operation
- Size 441/2 x 331/2 x 81/2
- Priced to fit your budget
- 3 dimensional effect Photos
- Finished to match your bank
- Sent on approval

#### BAUDER-BAKER, INC.

225 No. Michigan Ave. Chicago 1, Ill.



#### Bank Earnings

(CONTINUED FROM PAGE 45)

make inroads on their limited amounts. This spread of 15 percentage points between nominal tax rates and the rates at which taxes were actually paid was equal to \$172,500,000, or just about half of the cash dividends declared by member banks in 1950.

Figures just released by the Federal Reserve Board show that heavier taxes cut bank profits for the first six months of this year below the same period of 1950, even though earnings before taxes were higher in 1951.

Net current earnings before income taxes were \$696,000,000 in the first half of this year for members of the Federal Reserve System, an increase of \$103,000,000 over the first half of 1950 and \$44,000,000 over the second half of 1950.

Net profits after taxes, however, were \$381,000,000 for the first six months of the current year, compared with \$397,000,000 in 1950's first half and \$384,000,000 in the last half of that year.

First half profits this year represented 7.8 percent on capital invested in the banks, compared with 8.5 percent a year ago.

The chief threat of rising tax costs to banks is not, however, at

this stage at least, to dividends. Bank dividend policies have, for the most part, been conservative. In 1939 cash dividends were 60 percent of net profits, in 1945 they were 31 percent and last year they were 44 percent. The most serious aspect of the rising tax burden for banks is that these tax payments siphon off earnings which otherwise could be retained and added to the capital cushion of the banking system. Inflation has swelled the total of bank deposits and of bank earning assets, and the banking system has been, and still is. faced with the necessity of increasing its capital funds at a rate bearing a reasonable relationship to increases in other balance sheet items. Increases in the costs of doing business, and especially increases in income taxes which have grown more rapidly than other major costs, naturally reduce earnings applicable to shareholders' equity. Because of these smaller earnings, bank stocks sell at reduced prices, often at discounts of from 10 percent to 25 percent below book values. These low prices for bank shares, in turn, render it impractical or undesirable for many banks to increase their capital through the sale of additional stock. The only remaining major source of bank capital is the retention of earnings, and, as noted above, the ability to retain earnings is reduced as tax costs increase.

# U. S. TREASURY STATE—MUNICIPAL SECURITIES



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# INVESTORS MUTUAL INVESTORS SELECTIVE FUND INVESTORS STOCK FUND INVESTORS SYNDICATE OF AMERICA

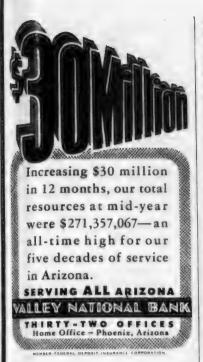
Prospectus on request from Principal Underwriter

#### INVESTORS DIVERSIFIED SERVICES

ESTABLISHED 1894 AS INVESTORS SYNDICATE
MINNEAPOLIS, MINNESOTA

#### Capital Accounts

During the period centering around World War II, when bank deposits and bank assets were expanding rapidly, the failure of capital funds to keep pace with other statement items was not generally considered too unfavorable, because the major portion of these increased deposits was represented by the "riskless assets" of cash or United States Government obligations. On December 30, 1939, total capital accounts of all Federal Reserve member banks were 11.2 percent of total deposits and were 26.3 percent of "risk assets," that is, total assets less Government securities and cash items. By 1947, after the termination of war financing, capital funds had increased by about 50 percent as compared with 1939, due largely to the retention of a substantial portion of earnings, but other bank statement items had grown at an



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# THE BANK OF VIRGINIA

The Bank Wire into our Richmond main office is "extended" by interoffice teletype to our five other cities listed below. For sneed unequaled in Virginia, send your Virginia items to THE BANK OF VIRGINIA! Write for details. 800 E. Main St.. Richmond, Virginia.

RICHMOND . PETERSBURG ROANOKE . NEWPORT NEWS PORTSMOUTH . NORFOLK



Member Federal Deposit Insurance Corporation



#### THE TEXAS COMPANY

-196th Consecutive Dividend

A dividend of sixty-five cents (65¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1951, to stockholders of record at the close of business on August 10, 1951. The stock transfer books will remain open.

ROBERT FISHER

August 3, 1951

Treasurer

even faster rate. As a result, capital accounts of member banks in 1947 (December 31) were 7 percent of deposits and 22 percent of risk assets. In 1948, 1949, and 1950 capital accounts grew moderately both on a dollar basis and in relation to assets, although the 7.7 percent figure of capital to deposits for 1950 was still well below the 11.2 percent of 1939. The rapid growth of the loan account in recent years reduced the percentage of capital accounts to "risk assets" from the 26.3 percent of 1939 and 22 percent of 1947 previously mentioned to 20 percent in 1948, 20.2 percent in 1949, and 18.9 percent in 1950.

In summary, it would appear that the immediate outlook for bank earnings is bright, due to the substantial increases which have taken place in loan volume and in interest rates. Most items of operating expense have been kept under good control, but net profits available for stockholders and rates of dividends have not kept pace with operating profits, largely because of the exceptional rise which has occurred in bank income tax deductions. These taxes are bound to be greater during the next year or two, not only because of prospective increases in all corporate tax rates, but because banks will have fewer exemptions as partially tax free Treasury bonds are retired without replacement.

The threat to bank earnings posed by heavier income taxes is a double one. As earnings are restricted, bank stocks lose attractiveness in the eyes of investors, thereby making the raising of bank capital by means of the sale of additional stock unduly costly, if not impractical. Lower earnings also mean a smaller margin between such earnings and established dividend rates, thereby reducing the increment to capital from undistributed income. Because of the sharp rise in "risk assets" in the recent past, the need for adding to capital funds is becoming more and more pressing, if a conservative relationship is to be maintained between "risk assets" and capital funds. The deterioration by more than one-third in this ratio during the past decade should provide ample evidence that the establishment of an adequate earning power for the banking system, after all expenses, including taxes, is a matter of vital significance. (END)



Does this look Familiar?

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O SAVES SPACE! O SPEEDS FINDING 100% · LASTS A LIFETIME!

Stop digging through dusty boxes—hunting through musty bundles! Give your inactive records the lifetime protection, and "quick finding" features of Safe-T-Stok Steel Storage files. Yes, they lock together as high and as wide as you want, and are manufactured under the strictest standards in the industry. Write today for a survey or quotation—use the coupon below for quick action.

#### **Immediate Delivery** 7 Popular Sizes!

### DIEBOLD, INCORPORATED

Serving Business for over 92 Years

Microfilm • Rotary, Vertical and Visible Filing Equipment • Safes, Chests and Vault Doors • Bank Vault Equipment • Burglar Alarms Factory Branches and Dealers in all principal cities

200	19	Mulberry Road, Canton, Ohio
(	)	Have your File Analyst call for a survey, without obligation.
(	)	Send me a quotation onfiles in these sizes—
NE	M	ETITLE

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\_STATE\_

CITY\_



# WAS GRANDPA CORNY?

When I was young, grandpa was so embarrassing...

If anyone questioned his pet brands, he'd take it as a personal insult.

Once, when an old crony made some slurring remarks about grandpa's favorite brand of pipe tobacco, he refused to speak to the man for two years.

But he was most embarrassing about that car of his. He'd bought it back in 1919...and from that day on, he took full credit for everything about it.

Whenever he saw another car of the same make, he'd go up to the owner like the fellow was a long-lost brother. He'd button-hole perfect strangers, and practically kiss 'em!

To a small boy it was agony . . . could anything be cornier?

As I grew older, I began to see that having brand names you could look for and trust, wasn't a bad idea at that.

Whenever you buy -

demand the brand you want

Maybe it is "corny" to think of familiar brands as old friends...

But it's good to know exactly what you're getting. It's reassuring to realize that most manufacturers of brand name products spend money for research and quality control to make their brands live up to their name.

They know the best way to make money is to make friends!

Every day thousands of these brands are fiercely competing for your friendship...trying to give you more and more value and quality.

If value, and better products, and better living are "corn," let's have more of it.

As you study the ads in these pages, remember...brand names are names of friends you can count on!

Brand Names Foundation

A non-profit educational foundation 37 WEST 57 STREET, NEW YORK 19, N. Y.

## "Triple Value"

(CONTINUED FROM PAGE 93) minute tribute to the customer in the middle of it. On Thursday, July 19, the entire program was dedicated to the Spokane Life Underwriters Association.

The tribute pointed out that the life insurance underwriter is not just a salesman but is a professional who makes careful inquiry into a family's financial status, needs and problems, and then recommends a specific insurance program designed to accomplish a definite purpose.

It must be obvious at this point that the entire campaign got across, first, a bank savings message (certainly many of the accounts which came into the bank during the month and afterwards are attributable to this advertising); and second, that the suggestion to buy U. S. Savings Bonds is both a patriotic and common sense responsibility of banking. Most bankers continue to feel that there is much merit in keeping a substantial part of the public debt in the hands of individuals. Incidentally, the U.S. Savings Bond folder, 3 Vital Steps to Security, was used for lobby distribution and was enclosed in the July checking account statements. The third, and probably most important, phase of the campaign was the recommendation to have adequate life insurance and "to see your good friend, your life insurance underwriter."

A letter signed by George H. Jackson, First National's president, went to each of the several hundred life insurance underwriters in Spokane and to the president of each company doing business in the area, telling them about the campaign. The replies have been many and impressive. Some typical excerpts follow:

We appreciate the fine cooperation and understanding which now exists between the men in banking and the life underwriters. Your fine advertising program will strengthen that relationship and will enable the life underwriters of this community to maintain and improve their public relationship.

We will notify many of our clients of your radio programs, suggesting that they keep their radios tuned, so as to hear these programs in which they will be interested. In this way we hope we may, in a small way, increase the radio listening of your program, "Serenade in the Night." We will also ask them to look for your newspaper advertising.

I wish to congratulate you on the high caliber of your project and your generous cooperation with the life insurance men.

I feel that this activity is one of the finest gestures I have ever seen made by any financial organization. In this type of advertising you are not only doing a real service to the public in acquainting them with a well balanced financial program, but you are also indicating an unselfish attitude which I hope will be followed by other financial institutions, both in banking and life insurance.

You can be certain that an institution like yours supporting life insurance has been very helpful to the representatives of a life insurance company and, believe me, the personnel of my agency appreciate the good work you are doing.

I think it is good business, in addition to the fact that it is rendering a fine service to our community and country in the fight against inflation.

The newspapers were very generous in giving publicity to the campaign. Mr. Jackson was quoted at quite some length when he pointed out that "If every American would enthusiastically take part in this 3-point savings program, the problems of inflation would be largely solved."

The National Association of Life Underwriters plans to include the story of this advertising program in an early issue of Life Association News, and representatives of the local group plan are giving the activity publicity in their local and regional publications.

The campaign was prepared in close cooperation with the Spokane Life Underwriters Association. The good will which will accrue from these life insurance underwriters and the executives alone is well worth the cost of the campaign. In addition, it will sell savings accounts and U. S. Savings Bonds, adding one more "punch" against inflation. It's a "three for one" value in bank advertising.

# When you think of Pittsburgh . . .

The Nation's Leader in Industrial Expansion...



Since 1945, Pittsburgh leads all the nation's metropolitan areas in industrial expansion—with \$147,211,000 in industrial building contracts, an additional investment of \$518 for each production worker in the Pittsburgh area. Here is further proof of the faith which industry has in Pittsburgh's future.

As industrial expansion continues, new business opportunities are created . . . smaller companies prosper in supplying the specialty needs of larger corporations . . . all businesses grow and thrive along with the industrial giants. You can get the facts on new business opportunities in Pittsburgh by writing to The Pittsburgh Industrial Development Council, Pittsburgh 19, Pa.

And for your correspondent banking requirements in Pittsburgh, think of Peoples First. With an intimate knowledge of this metropolitan area, and complete facilities, we are in excellent position to serve your needs.

#### PEOPLES FIRST NATIONAL

BANK & TRUST COMPANY

Correspondent Bank Department P. O. Box 506, Pittsburgh 30, Pa.

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# "Black gold" helps keep Southern California business booming. Add America's #1 agricultural output to tremendous business and resi-dential building-throw in gigantic strides in heavy in-dustry, and you have it. The richest sales potential per capita in history. Let us represent you and your customers. We have seen and helped this young giant, Los Angeles, grow.

5th & Spring Streets
35 Conveniently Located Branch Offices
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# New Books

# American Monetary Policy

By E. A. Goldenweiser. McGraw Hill, New York. 378 pp. \$4.50.

THE former director of the Division of Research and Statistics, Federal Reserve Board, broadly reviews American monetary policy and experience during the lifetime of the Reserve System, and makes some recommendations. The effects of major policy decisions, as well as the circumstances that promoted them are covered; so is the gradual change from policy concerned chiefly with providing bank liquidity an elastic supply of money to the broader function of helping maintain economic stability and an expanding economy.

In his final chapter Dr. Goldenweiser considers "Proposals for Changes in Federal Reserve Structure," and it is here that bankers may find material of special interest.

Although the author believes there is no urgent need for current legislative changes affecting the System's structure, he is of the opinion that "the entire financial and monetary organization of the United States should be reviewed at an early date to determine whether the radical changes in the country's economy and in its international position during the past half century call for modifications in existing monetary machinery."

He finds that in the main the dual organization of the Federal Reserve is "well adapted to the character and requirements" of the nation; to alter

it would be a mistake. The compromise worked out in the Federal Reserve Act between central authority and local autonomy is "probably as good a system" as we could have. prii um mis

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In conclusion he says that if there is to be a change, "the most desirable arrangement would seem to be one resulting in a concentration of final authority and responsibility in one high-ranking executive, the Governor. He should then be required to seek advice constantly from his technical staff, to consult with the presidents of the Federal Reserve banks on frequent and regular occasions as well as whenever major changes in policy are contemplated, and to meet once or twice a year with representatives of different economic groups for a general review of monetary problems and policies. Such an arrangement would combine regular contact with technicians. Federal Reserve executives, and the public with definite location of authority and responsibility in the head of the System."

The book is a study for the Committee for Economic Development.

#### **Financing Defense**

By Albert G. Hart and E. Cary Brown. Twentieth Century Fund, New York. 161 pp. \$2. Second in a series of Fund reports on how to protect and maintain the civilian economy in a period of defense mobilization, this volume emphasizes that budget measures are the best available stabilization tools, and points out the ways for increasing Federal revenues without damage to the national welfare. Mr. Hart is Professor of Economics at Columbia, Mr. Brown, Assistant Professor of Economics at Massachusetts Institute of Technology.

#### The Balance of Payments

By J. E. Meade. Oxford Univerity Press, New York. 425 pp. \$5.50. The Professor of Commerce at the University of London discusses the question of restoring equilibrium in international balances of payment, studying the contribution that can

OLD REPUBLIC CREDIT LIFE INSURANCE COMPANY

Specialized Insurance Service
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JAMES H. JARRELL, President • HOME OFFICE: Chicago, Illinois
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be made by theory in the choice of principles for policies. A later volume will cover international trade, migration and investment.

#### Effects of Taxation on Executive Compensation and Retirement Plans

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By Challis A. Hall Jr., Harvard Business School, Boston. 353 pp. \$4.25. A monograph by an Assistant Professor of Economics at Yale on the effects of Federal taxation on the use and conditions of deferred-type compensation plans for executives in large corporations, and of the economic effects arising from them.

# Effects of Taxation of Executives

By Thomas H. Sanders. Harvard Business School, Boston. 221 pp. \$3.25. This book deals with taxes and their effects on executives' efforts, the intensity and duration of their business careers, retirement, and their efforts to attain personal financial competence. The author is Professor of Accounting at the Harvard Business School.

#### Other Books

THE SEARCH FOR PEACE SETTLE-MENTS. By Redvers Opic and Associates. The Brookings Institution, Washington, D. C. 335 pp. \$4. The story of the efforts made thus far to end World War II officially.

INDEX NUMBERS. By Bruce D. Mudgett. John Wiley, New York. 131 pp. \$3. "A practical, comparatively non-technical book for those who construct or use price indexes. The author supports his view that fixed weights are the greatest weakness of modern indexes."

RATES OF RETURN, CLASS 1 LINE-HAUL RAILWAYS OF THE UNITED STATES, 1921-48. By Sidney L. Miller and Virgil D. Cover. University of Pittsburgh Press. 207 pp. "An analysis and appraisal embodying a comparison with other industries regulated and unregulated."

READINGS IN MONETARY THEORY. Blakiston, New York. 505 pp. \$4.75. Another volume in a series of republished articles sponsored by the American Economic Association. The selection was by a committee of the A.E.A.

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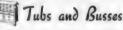


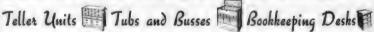


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# Business Aids

Home Planners' Libraries • New Products • Operations

Industrial

EACH month this column will list recent acquisitions including manufacturers' literature and other special announcements of interest to our readers—though no statement made should be regarded as an endorsement.



A MESSAGE TO GARCIA. This famous essay by Elbert Hubbard, printed in attractive booklet form, is a stirring discussion of the importance of initiative and competence in daily work. Should be required reading for employers and employees in these unsettled times.

Write to Gilbert Paper Company, Menasha, Wisconsin.



RAILROADS 1951. Another in a series of excellent industrial surveys, this 33-page booklet discusses freight and passenger revenues together with costs of operating a national railroad. Also includes a study of the efficiency of operation and financial status of the nation's railroads. The booklet reviews the factors to be considered in choosing a railroad security and

summarizes the outlook, location, operations and finances of over forty of the nation's railroads. Available by writing Merrill, Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, New York.



INDUSTRY'S CENTER OF OP-PORTUNITY. A 25-page review of the territory covered by the Chesapeake and Ohio Railway, including Virginia, West Virginia, Kentucky, Indiana, Ohio, Michigan and Ontario. Designed for easy reference, this booklet is filled with facts that must be considered by any concern choosing an industrial site. Reviews power, taxes, tempera-

ture, transportation, water supply and population in each of the areas mentioned above, as well as the availability of natural resources and processed materials. A helpful booklet that should provide the industrial executive with sufficient information to suggest the possibilities of this area. Available from Industrial Development Department, Chesapeake & Ohio Railway Company, Terminal Tower, Cleveland 1, Ohio.



HOW TO SAVE TIME AND MONEY WITH A CHECKING ACCOUNT. Designed as a customer give-away, this booklet reviews the advantages of a checking account, and describes the right way to make deposits, to write checks so that they cannot be changed and the proper way to endorse checks and to reconcile monthly statements. Concludes with the rules for safe han-

dling of a checking account and a list of questions frequently asked by depositors. Write to Promotion Press, Inc., 49 West 57th Street, New York, New York.



KEY-MEN IN YOUR BUSINESS. This booklet is one of a series of three, giving a brief review of the importance of insurance on the lives of the key-men in many organizations. Outlines the value of this insurance to a business while the key-man is alive, and after his death. Also reviews the value to the key-man himself while he is alive and to his family after his death. The two other booklets in the series cover the importance of business life insurance for the

partnership and the close corporation. Write to New York Life Insurance Company, 41 East 42nd Street, New York, New York.



THE EASY WAY UP—OR DOWN. An aid in the establishment of good tenant relations, this attractively illustrated, two color booklet is offered for distribution while new elevator equipment is being installed. Helps building management to familiarize tenants with the advantages of modern elevator service and informs the tenant of the many ways in which the installation will benefit him when completed. Write to Otis Elevator Company, 260 Eleventh Avenue, New York 1, New York.

NKING

## CONDITION OF BUSINESS—Continued from page 33

Controls would be weak and price wage formulas would tend to get out of hand whenever war threatened, which could be often. Spasmodic efforts to crack down on offenders would only increase the confusion and make life hazardous for those businesses which do not have the know-how or know-who, or the will and skill, to keep out of the way.

Confusion, of course, is almost normal by this time and some optimistic Washingtonians even point to it with pride saying that the time to worry about our capital city is when it becomes as unchaotic as Moscow. But we should not let a pardonable pride in our native chaos obscure the fact that we are heading full sail into strange waters we have never seen before. Even the skipper and mates, with all their brave whistling, have never been there. A war economy without a war is strictly new for us and the only occasions when it has been attempted in history have been under dictatorships.

#### A Moving Picture in Big Round Numbers

Personal incomes in the United States are now at the annual rate of \$250,000,000,000, or 12 percent higher than last year. In this connection it should be noted that more than half the nation's families did not increase their incomes during the past year and a fifth of them experienced declines.

Gross national production is nearing the annual rate of \$330,000,000,000, or 16 percent over 1950. Some of this rise was the result of higher prices but even allowing for this the increase is still around 10 percent over last year.

The capital outlays figures for plant and equipment, namely, at an annual rate of almost \$26,000,000,000, this year is \$6,000,000,000 higher than the previous annual peak in 1948.

Defense spending, now at an annual rate of \$35,000,000,000, is expected to reach an annual rate of about \$65,000,000,000 before the fall of next year.

The national budget for the fiscal year just ended was about \$45,000,000,000 which was five more than the previous year. For the current fiscal year the figure is \$68,500,000,000 and for fiscal '52-'53 it will be between 85 and 90 billions of dollars.

There was a budget surplus last year of \$3,500,000,000. The deficit this current year is expected to be between five and seven billions and the following fiscal year, or '52-'53, will reach 15 to 20 billions on the basis of present taxes.

The Administration estimates that our total labor force will be expanded by from 1,500,000 to 2,000,000 persons within a year. It also estimates that we can increase our overall output by 5 percent within a year. The proportion of the total devoted to security purposes was about 6 percent before Korea, is 11 percent now and will rise to 15 percent this year and 20 percent a year hence.

#### Pone Far and Operation Cosmos

Those inclined to worry about our rapidly expanding productive capacity in case peace comes without warn-

ing, should remember Point Four, Pone Far, Pun Foor, or however they say it in the United Nations Assembly and the legislative halls of the world when invoking American aid. The original words of the "Point" have become lost in a sort of talismanic, legendary spell and Pone Far has acquired almost a spiritual meaning.

Like Mrs. Moore, the kind little English lady in E. M. Forster's classic, "A Passage to India," her good intentions were so famous that, long after she and they were forgotten, her name was chanted by the Hindu populace:

Esmiss Esmoor!

Esmiss Esmoor!

Esmiss Esmoor!

. . . summoning her spirit back to help face life's difficulties.

"Fourth," said President Truman in his inaugural speech in 1949, "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas."

Last October he said that if disarmament came our armaments would be transformed into food, medicine, tools for use in undeveloped areas and into other aid for human advancement."

Senator Brien McMahon who often speaks for the inner sanctum, put it even more plainly, saying we should announce to the world, "Here is our defense money; join us in a secure system to regulate all weapons and the money you save . . . can be pooled through a common United Nations Fund to buy bread and tractors."

This is just about what the western world has been doing in undeveloped areas for many years, except that we would now assume these great responsibilities with love but without the authority to assure success.

WILLIAM R. KUHNS



"Okay! So there's life on Mars! That can mean only one thing. Eventually it's going to cost us money!"

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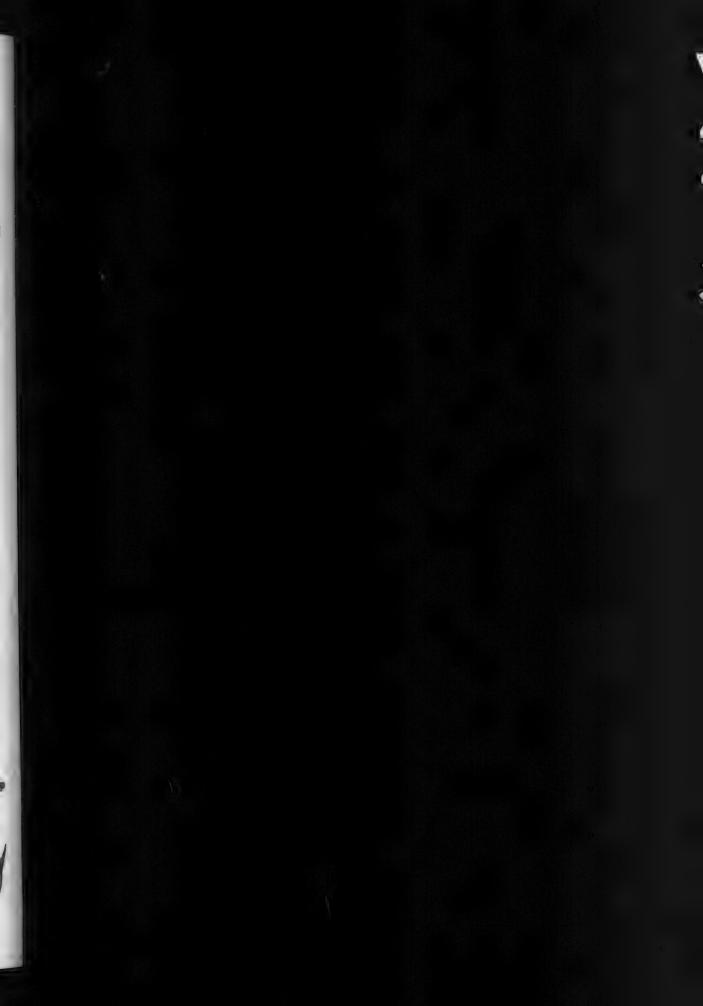
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Chicago

Chicago Convention Committeemen (see page 161)



From September 30 to October 3, when you'll be attending the 7th annual meeting of the American hand at Bankers Association there may be matters back at your bank that demand your personal attention, How your bank that demand your personal attention, thou easily and efficiently—while You're in Chicago?

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# The 77th Convention

## Chicago, September 30-October 3, 1951

Pannual convention of the American Bankers Association.

The pages that follow provide what might be called a telescopic view of this 77th annual meeting, for they give you the program, stories about the city and its history, and pictures of the bankers who have administered the A.B.A.'s activities during the presidency of James E. Shelton, president of the Security-First National Bank of Los Angeles.

Committees representing the Chicago banks and bankers have been busy, these past few months, in arranging for the visit of some 5,000 delegates. Nineteen of the committeemen charged with the many convention details are pictured on the cover of this section. Reading clockwise from the lower center they are:

Seated, O. Barry Wallace (foreground), vice-president, Continental Illinois National Bank and Trust Company, chairman, Registration Committee; Paul M. Carrick, cashier, Continental, vice-chairman, Arrangements; W. H. Heitman, president, Northwest National Bank, Registration Committee member; Charles M. Nelson, vice-president, The Northern Trust Company, chairman, Transportation; John P. Grier, vice-president, The First National Bank of Chicago, vice-chair-

man, Entertainment; George Slight, vice-president, Harris Trust and Savings Bank, chairman, Reception; Richard E. Pritchard, vice-president, Harris Trust, Executive Committee member; George S. Allen, vice-president, Harris Trust, vice-chairman, Hotels; M. A. Georgen, cashier, City National Bank and Trust Company, chairman, Arrangements; John J. Anton, vice-president, First National, chairman, Executive Committee; William H. Miller, senior vice-president, City National, chairman, Entertainment; C. Edgar Johnson, vice-president, First National, chairman, Hotel; Joseph F. Wanberg, president, First National Bank, Evanston, vice-chairman, Reception; Joseph R. Frey, president, Lake Shore National Bank, vice-chairman, Finance.

Standing, left to right: Robert Lindquist, vice-president, LaSalle National Bank, chairman, Information and Publicity; Alan R. Kidd vice-president, Northern Trust, Executive Committee member; Charles C. Kuning, vice-president, American National Bank & Trust Company, vice-chairman, Transportation; C. Arthur Hemminger, assistant cashier, American National, vice-chairman, Information and Publicity; and John K. Klug, vice-president and cashier, American National, vice-chairman, Registration.

Michigan Avenue, Chicago. The Stevens, convention headquarters, is at the left



KAUFMANN & FABRY

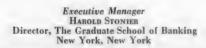


President

JAMES E. SHELTON

President, Security-First National Bank of Los Angeles

Los Angeles, California





# Some A.B.A. Official Family Leaders



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WILLIAM A. RECKMAN President, Savings and Mortgage Division President, Western Bank & Trust Co., Cincinnati, Ohio



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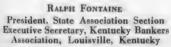
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ALTON P. BARR President, American Institute of Banking Vice-president, Security Commercial Bank, Birmingham, Alabama





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September 1951

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Chairman, Credit Policy Commission
Vice-president, Mercantile Trust Co. (as of
Sept. 4), St. Louis, Missouri

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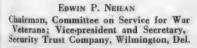
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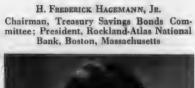
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September 1951



The Convention City

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Chicago is grain and steers and steel . . . and a kid and his dad rooting for the 1951 White Sox.

Michigan Avenue, looking north. Wrigley Building at the left, Tribune Tower, right

It is railroads that run to the coastlands, airlines that knit the nations . . . and that pretty woman you saw buying nylons at Marshall Field's this morning; the 20,000,000 visitors who look in on the city every year.

It is The Loop, with a million people, big banks and

Michigan Avenue, looking south from the same spot, with the Chicago River in the foreground





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#### JOHN L. COOLEY

big business; the great mail order houses; Michigan Avenue's inspired American skyline . . . and the wonderland that is the Field Museum.

It is the sights and sounds and smells at the stockyards . . . and children playing in South Side gutters, or among the pillars under the El.

It is the purposeful confusion of The Pit, where men buy and sell a future billion bushels of unplanted corn and wheat; the bustle at the Clearing House; the busy Convention Bureau; the hustling Association of Commerce and Industry.

#### CHICAGO is chewing gum.

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It is the hotels, the restaurants and clubs, the massive Merchandise Mart; the miles of urban and suburban homes with their television fingers; the Outer Drive; the streets Studs Lonigan tramped, the meltingpot people he knew, and a later generation of them.



Chicago runs the world's largest meat market. Here's an air view of the Union Stock Yards

Lake Michigan and the River have had an important part in the city's history. The Chicago Harbor District handled nearly 50,000,000 tons of lake-borne and 14,000,000 tons of river-borne traffic last year



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This is the famous "Pit" where Chicago Board of Trade members buy and sell vast quantities of the nations farm produce each year



Chicago is Mary Garden in "Salomé" at the Opera; Jane Addams; the Planetarium and the Coliseum; the Pullman car . . . and men first splitting the atom at the University.

It is Lake Michigan; northern ore and the lean boats that bring it to market; western hay and oats; the warehouses and elevators; oil, lumber . . . and the Art Institute, Soldier Field, the Chicago River; the hot breath of the prairie, the cool inshore breeze, the wind that nicknamed the city.

It is politics, conventions starting Lincoln, Grant, Garfield, Cleveland, Harrison, Taft, Harding and two Roosevelts toward the White House; another convention cheering a Silver-Tongued Orator as he talked about "a cross of gold" . . . and it is the Tribune, the Daily News, the Herald-American, the Sun-Times.

It is Tinker to Evers to Chance; old Three-Fingered Brown throwing 'em past Mr. McGraw's Giants; Sid Luckman tossing a pass for the Bears... and the International Livestock Exposition and Horse Show, the All-American Golf Tournament, the Mackinac Yacht Race, the Symphony.

Chicago is a poem by Carl Sandburg.

And it is also the French missionaries, explorers and fur traders (Marquette, Joliet, LaSalle) who in the 17th Century found the strategic portage between the Lakes and Ol' Man River; the Indians forced westward, making room for men and women from the sunrise



The Merchandise Mart, left, is the world's largest commercial building—the Pentagon of Commerce









Comiskey Park, you know, is the home of the Chicago One of the numerous Lake Michigan beaches where Chi-

side of the eastern mountains . . . and a future artist's grandfather, Captain John Whistler, who in the winter of 1803-04 built the first little stockade where Michigan Avenue now crosses the Chicago River.

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It is the 50 Chicagoans of the year 1832; the 350 of 1833 when the town became a village; the 4,170 of 1837 when it acquired cityhood with Citizen William B. Ogden as mayor . . . and the 3,600,000 of 1951.

Likewise, Chicago is the land boom of the 1840's; the increased vitality that flowed from the Illinois and Michigan Canal in 1848; Horace Greeley and other journalists reporting back the wonders of the West and its sprawling metropolis; the organization of the Board of Trade: the first railroads.

It is the opening of the fabulous iron mountains of the North; the coming of oil refineries to the South Shore; Union Stock Yards, McCormick's reaper, printing plants and clothing industries; the first steel-framed

skyscraper; the business of shopping by mail from thick, picture-packed catalogues . . . and always growth, growth, GROWTH!

It is also the Fire of 1871, ending an era and starting another; the World's Columbian Exposition in 1893. the Century of Progress 40 years later, when Chicago threw back her capable shoulders and invited the world to come and see her.

But most of all, Chicago is people . . . people who carry on their big share of the nation's work . . . the we'll-do-it-now energy, the pride and contagious selfassurance that raised a buoyant, exciting, masculine city from the ashes of an overgrown boom town . . . a city which probably more than any other anticipated and then symbolized the coming of the Atomic Age to America.

These are Chicago!

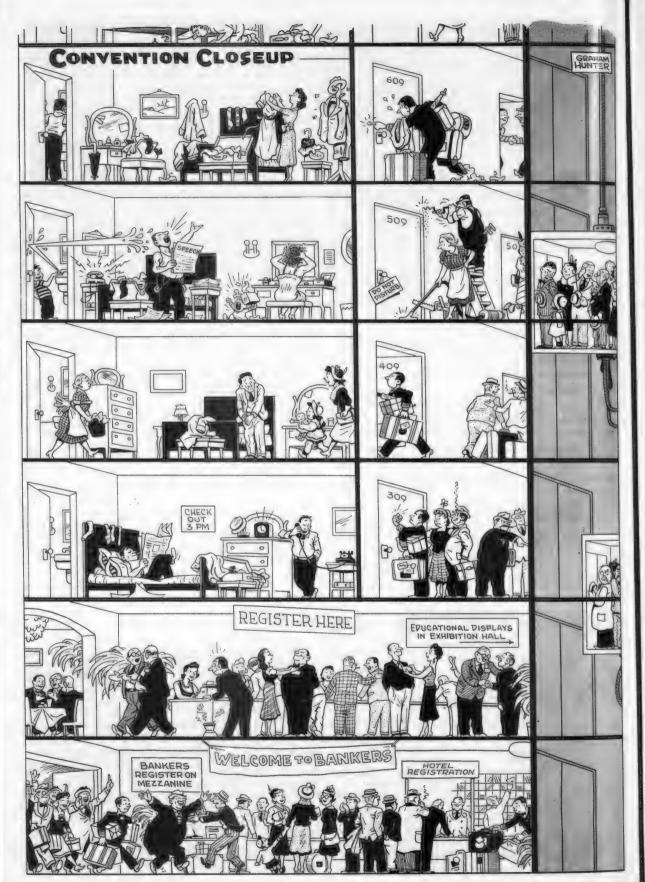
Soldier Field is another popular outdoor rendezvous



These youngsters are about to see the sights of Field Museum



September 1951



# The Convention Program

OVERNMENT, industry, and education have been drawn upon heavily for speakers for the 77th Annual Convention of the American Bankers Association, to be held in Chicago, September 30 to October 3, it is disclosed by the program for the Convention announced by James E. Shelton, president of the A.B.A. and of the Security-First National Bank of Los Angeles.

This A.B.A. Convention may prove to be one of the most important banking meetings in the history of the country in view of domestic economic developments and the rapidly changing international situation.

Solomon A. Smith, president of The Northern Trust Company, is chairman of the General Committee representing member banks of the Chicago Clearing House which will be host to the nation's bankers. Committees which will be in charge of the various details of the Convention have been organized and are completing plans for the big annual meeting under the leadership of Executive Committee Chairman John J. Anton, vice-president of The First National Bank of Chicago.

#### Speakers

Among the speakers to be heard at the general sessions of the Convention are William McC. Martin, Jr., chairman of the Board of Governors of the Federal Reserve System; Erle Cocke, Jr., national commander of the American Legion; Robert E. Gross, president of the Lockheed Aircraft Corporation; Dr. Deane W. Malott, new president of Cornell University; and Mr. Shelton.

Secretary of the Treasury John W. Snyder will greet the Convention at the first of the two general sessions.

Speaking at the sessions of the Association's four divisions will be Dr. George S. Benson, president, Harding College, Searcy, Arkansas; Ralph W. Carney, vice-president, The Coleman Company, Inc., Wichita, Kansas; James C. Downs, Jr., president, Real Estate Research Corporation, Chicago; Frederick V. Geier, president, Cincinnati Milling Machine Company; and

John W. Snyder



Preston Delano



September 1951



President Shelton will speak and preside

Clarence E. Manion, dean of the Law School, University of Notre Dame.

Banker speakers at the division meetings will be Paul E. Farrier, vice-president, First National Bank, Chicago; Arthur A. Smith, vice-president and economist, First National Bank, Dallas; and the presidents of the Divisions. Preston Delano, Comptroller of the Currency, will be a guest at the National Bank Division meeting.

#### Agricultural Breakfast

A traditional feature of the Convention is the breakfast meeting of the A.B.A.'s Agricultural Commission. This year's Agricultural Breakfast will be held in The Stevens Hotel on Tuesday morning, October 2, and will be addressed by Allan B. Kline, president of the American Farm Bureau Federation, Chicago.

The Convention, which will hold its business sessions in The Stevens Hotel, will be attended by an estimated 5,000 bankers and their wives from all parts of the United States. Registration will take place in The Stevens, and information booths will be maintained in both The Stevens and The Palmer House.

The Convention will open on Sunday, September 30, with the annual meetings of the A. B. A. commissions, committees, and councils, which are the Association's working machinery.

Monday, October 1, will be devoted to the annual meetings of the four Divisions—the State Bank, National Bank, Savings and Mortgage, and Trust.







William McC. Martin, Jr.



Dr. Deane W. Malott



Robert E. Gross

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#### School Relations Demonstration

An innovation of the Convention program will be a public relations session on Monday evening, during which an actual demonstration will be put on to show bank cooperation with schools in the preparation of students for adult life. Robert Lindquist, chairman of the A.B.A. Public Relations Council and vice-president of the LaSalle National Bank, Chicago, will address the session on "Banking on Youth." Other speakers will include Dr. F. L. Schlagle, superintendent, Kansas City Public Schools, on "The Educator's Viewpoint," and Frank M. Totton, vice-president, The Chase National Bank, on "Let's Tackle This Job."

The cast for the school relations demonstration will include a teacher, a banker-Moses Shaw, director of public relations, South East National Bank, Chicagoand a group of Chicago students. The latest A.B.A. film in the Association's high school series on money management and savings, "Money Talks," will be shown during the demonstration.

A choral group of 100 high school students will give a 30-minute program arranged by Dr. Helen Howe, director of music, Chicago Board of Education.

The two general sessions of the Convention will be held on Tuesday morning, October 2, and Wednesday morning, October 3. At the Wednesday meeting, officers of the Association for 1951-52 will be elected and installed.

#### Entertainment

The Chicago banks will hold a reception and tea for delegates and their wives in the Grand Ballroom of The Stevens on Sunday afternoon, beginning at 4 P.M. The annual Sunday evening concert will be held in Orchestra Hall with the Chicago Symphony Orchestra, conducted by Rafael Kubelik.

Dr. George S. Benson



James C. Downs, Jr. Paul E. Farrier





On Monday, a fashion show and luncheon for delegates' wives will be held in The Palmer House.

On Tuesday evening from 5 to 7, delegates will again be guests of the Chicago banks. Because of the large attendance anticipated at the convention, dual receptions will be held simultaneously in the Grand Ballrooms of The Hotel Stevens and The Palmer House, with the delegates having the opportunity of choosing which of the two receptions they wish to attend.

#### Business Sessions

The complete Convention program follows:

#### Savings and Mortgage Division

The Stevens Hotel, North Ballroom Monday, October 1, 1951, 10 A.M.

Address of President William A. Reckman, president, Western Bank and Trust Company, Cincinnati.

Address-"Mortgage Financing During 1952," by James C. Downs, Jr., president, Real Estate Research Corporation, Chicago.

#### State Bank Division

The Stevens Hotel, Grand Ballroom Monday, October 1, 1951, 10 A.M.

Address of President John Q. McAdams, president, Winters State Bank, Winters, Texas.

Address-"New Strength for America," by Ralph W. Carney, vice-president, The Coleman Company, Inc.,

Address-"The National Balance Sheet," by Dr. George S. Benson, president, Harding College, Searcy, Arkansas.



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Arthur A. Smith



Frank M. Totton



Clarence E. Manion

#### National Bank Division

The Stevens Hotel, Grand Ballroom Monday, October 1, 1951, 2 P.M.

Address of President L. C. Bucher, president, Lincoln National Bank, Cincinnati.

Remarks by Honorable Preston Delano, Comptroller of the Currency, Washington, D. C.

Address by Frederick V. Geier, president, Cincinnati Milling Machine Co., Cincinnati.

Address—"The Behavior of Money," by Arthur A. Smith, vice-president and economist, First National Bank, Dallas.

#### Trust Division

The Stevens Hotel, North Ballroom Monday, October 1, 1951, 2 P.M.

Address of President Raymond H. Trott, president, Rhode Island Hospital Trust Co., Providence.

Address—"Powers of Appointment," by Paul E. Farrier, vice-president, First National Bank, Chicago. Address by Clarence E. Manion, dean, Law School, University of Notre Dame, Notre Dame.

#### Public Relations Session

The Stevens Hotel, Grand Ballroom Monday, October 1, 1951, 8 P.M.

Chicago High School Choral Group Program:

Address—"Banking on Youth," by Robert Lindquist, chairman, A.B.A. Public Relations Council and vice-president, La Salle National Bank, Chicago.

Address—"The Educator's Viewpoint," by Dr. F. L. Schlagle, superintendent, Kansas City Public Schools, Kansas City.

Stage Demonstration—"We Visit A Classroom." Teacher, John Hayworth, Riverside-Brookfield School, Riverside, Illinois; banker, Moses Shaw, director of public relations, South East National Bank, Chicago; class, students from Riverside-Brookfield School.

Address—"Let's Tackle This Job," by Frank M. Totton, vice-president, The Chase National Bank, New York.

#### Agricultural Breakfast

The Stevens Hotel, North Ballroom Tuesday, October 2, 1951, 8 A.M.

Presiding, W. W. Campbell, chairman, A.B.A. Agri-

cultural Commission, and president, National Bank of Eastern Arkansas, Forrest City.

Address by Allan B. Kline, president, American Farm Bureau Federation, Chicago.

#### First General Session

The Stevens Hotel, Grand Ballroom Tuesday October 2, 1951, 9:15 A.M.

Call to order by James E. Shelton, president, American Bankers Association, and president, Security-First National Bank of Los Angeles.

Greetings by Solomon A. Smith, chairman, Clearing House Committee, Chicago Clearing House, and president, The Northern Trust Company.

Greetings by the Honorable John W. Snyder, Secretary of the Treasury, Washington, D. C.

Address by William McC. Martin, Jr., chairman, Board of Governors, Federal Reserve System, Washington, D. C.

Address by Robert E. Gross, president, Lockheed Aircraft Corporation, Burbank, Calif.

Address of President Shelton.

#### Second General Session

The Stevens Hotel, Grand Ballroom Wednesday, October 3, 1951, 9:15 A.M.

Call to Order by President Shelton.

Address—"The World On Your Doorstep," by Dr. Deane W. Malott, president, Cornell University, Ithaca, New York.

Address by Erle Cocke, Jr., national commander, American Legion, Dawson, Georgia.

Reports of Resolution and Nominating committees; election and inauguration of officers.

Dr. F. L. Schlagle



Allan B. Kline



September 1951

# Chicago Convention Almanac



CULVER SERVICE

INE times in the past 66 years Chicago has played host to the annual convention of the American Bankers Association.

Most of these meetings have come in years of momentous happenings in the financial community, the nation, or the world: 1885; 1893; 1909; 1918; 1924; 1933; 1941; 1944; and

These dates alone suggest what must have been the big topics for the bankers to discuss. As a reminder of what was going on, BANK-ING reviews a few of the notable events.

A.B.A. conventions were held in Chicago in the years of the city's two great World's Fairs: the Columbian Exposition in 1893 and the Century of Progress in 1933.

#### 1885

The first Chicago convention, though, was in 1885, a war-talk year when everybody expected England to end up in a war against France and Germany, or maybe get embroiled with Russia instead. In this country we were involved in wars of a different kind-railroad-rate squabbles were rampant; and strikes were widespread and serious.

The 1885 convention had one great topic: Silver. "It is the sense of this Convention that the coinage of silver dollars under the Compulsory Law of 1878 [the Bland Act] is detrimental to the best interests of the people and dangerous to the welfare of the Government, and that the law should be immediately suspended ..." read a resolution of the convention.

#### 1893

At the 1893 convention silver was still the big headache. The bankers dispatched a petition to Congress asking unconditional repeal of the purchasing clause of the Sherman Silver Act. The ills of the world were laid squarely at this door.

The Columbian Exposition that year drew 28-million people to Chicago, an attendance record unbroken for over half a century - and this despite the panic of 1893 when banks by the hundreds were forced to close their doors.

#### 1909

The 35th annual convention held at Chicago in 1909 hit the jackpot attendancewise. With 4,500 registered delegates, it was the biggest meeting in the Association's history. Distinguished visitors included the President and the Vice-President of the United States, the Speaker of the House of Representatives, and the Comptroller of the Currency.

Comptroller of the Currency Lawrence O. Murphy told the convention some of the problems of his office. His address was considered so valuable that by resolution it was published in full in the new Journal of the American Bankers Association.

This year 1909 seemed to the bankers to be a good, if reasonably quiet, one. Crops were so excellent that there was much food available for our less fortunate European neighbors; there seemed no really perilous problems to be solved. It was a year important historically, however, as the real beginning of the Air Age. For this was the year when Louis Bleriot piloted his plane across the English Channel from Calais to Dover, a distance of 31 miles, in 37 minutes. It was the year, too, in which Admiral Robert E. Peary reached the North Pole-on his sixth

#### 1918

The next Chicago convention was in 1918, surely a historic year, witnessing the end of World War I and the start of a new and vastly different Russia. The Fifth All-Russian Congress adopted the written constitution of the Russian Socialist Federated Soviet Republics (July 10) and put it in operation without popular vote or referendum - and followed it with the wholesale murder of royalty.

Patriotic fervor ran high. The Allies' victories had everyone looking for peace. In fact, the convention dispatched a telegram addressed to "General John Pershing, France" and received a cordial reply. The Great Lakes Naval Training Station band played patriotic music before each session. An account of the convention relates that when "President [Charles A.] Hinsch announced the latest cabled news of allied victory, the band assisted in the greatest demonstrations of enthusiasm the Association has ever seen at any convention since its organization."

#### 1924

Banker Dawes' Reparations Plan was accepted in 1924 in the Agreement of London. Nellie Tayloe Ross. now Director of the Mint, was elected as Governor of Wyoming. Ma Ferguson was elected Governor of Texas on the same day (November 7) but Mrs. Ross was installed at an earlier date and became the first lady governor.

In this year of the 50th annual convention in Chicago, branch banking was occupying the delegates' attention. By a unanimous vote, the convention endorsed a legislative plan purposing to preserve the American independent banking system by confining branch banking to the cities where the practice "is now in force," placing national banks more nearly on a parity with statechartered institutions, and erecting a barrier against the spread of branch banking into new territory. A stand was taken against any modification of the judicial powers of the Supreme Court, and "Government ownership in all forms was roundly deplored." Over 7,000 bankers attended.

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#### 1933

For banking, for the United States, and for the world, the year 1933 looms large. It saw the bank holidays in the United States, beginning in Michigan on February 14 when Governor W. A. Comstock ordered all banks of the state closed for eight days. One Adolf Hitler rose to absolute power in Germany and had his country quit the League of Nations and withdraw from the disarmament conference. Diplomatic relations were resumed between the U.S. and Russia. Prohibition ended. Congress gave the President power to control money; the government began to buy domestic and foreign gold above market price.

The convention that year came to be known as The Code Convention

as it adopted a Banking Code to be approved by the NRA and by the President.

#### 1941

Mere mention of 1941 sends cold shivers down American spines. But aside from the actuality of Pearl Harbor and the declarations of war, many things happened: President Roosevelt was inaugurated for the third time; the Lend-Lease Bill was passed: the Marines occupied Iceland on invitation from that country: Kaiser Wilhelm died in exile: a billion in lend-lease aid was pledged to Russia.

The theme of the 1941 convention was one of liberal lending for defense with conservative lending for other purposes. A resolution read: "This particularly is a time for bankers to keep their own houses in order and to avoid credit expansion for excessive inventory accumulation or for other speculative purposes. This objective can be attained best through our voluntary cooperation rather than by government regulation."

#### 1944

Came 1944. President Roosevelt was elected to a fourth term. Earlier he had vetoed that tax bill for \$2,-315,200,000 only to have the veto overridden.

In Chicago the bankers were discussing their duties to GI Joe; the

staggering Government debt, which one speaker warned might reach \$300-billion; and they were making plans against the war's end.

#### 1946

It was a big Convention at Chicago in 1946, the first postwar year. Some 5.000 delegates heard Retiring President Rathie speak on "Banking Looks Forward," which came to be a sort of unofficial theme for the session.

Most of the events of 1946 were global in scope. It was the year in which the first Assembly of the United Nations opened in London (January 10). On October 23, President Truman opened the meeting of the General Assembly at Flushing Meadow and John D. Rockefeller, Jr., offered the \$81/2-million plot in mid-Manhattan for a UN World Capital - offer accepted. Secretary of Commerce Henry A. Wallace left the Government at the request of the President; the Bank of the Manhattan Company's 58th floor in New York was run into by an airplane; atomic explosions #4 and #5 were set off at Bikini; the Army reported that a radar beam had reached the moon; and the League of Nations in Geneva, Switzerland, voted itself out of existence and turned over its physical assets to the United Nations (April 18).

THEODORE FISCHER

Scene at Chicago Municipal Airport. (The plane shown is that in which Bill Odom broke long distance flight records in 1947.)



## A CHICAGO BANKING SCRAPBOOK



PICTURES FROM CULVER SERVI

View on Clark Street, Chicago, in 1857

The history of banking in the 1951 Convention City can hardly be reduced to the limits of a short magazine article. Here, however, are a few interesting items culled from earlier chapters of the story.

The Chicago banks that will be hosts to the American Bankers Association convention are the descendants (in some cases lineal) of institutions which helped write some of the most vivid lines in the American script.

There've been banks of one sort or another in Chicago since 1835, when the present financial capital of the great Middle West was a messy, if energetic, village. In those days of feverish speculation, Jacksonian democracy, and national growing pains, Chicago's needs for money and credit were supplied by a few private banks and by the Chicago branch of the newly organized second Bank of the State of Illinois.

The latter institution represented another attempt by the state to furnish her sons with the credit facilities for carrying along the boom that was drawing thousands of Americans across the Alleghenies, along the new canals of New York State, and up the Great Lakes to the Land of Promise. The State Bank was heartily welcomed, if for no other reason than its power to issue bills. This currency, secured by Illinois, soon flooded the country -in fact one historian notes: "More bills were issued than could have been paid by all the silver and gold in the state:" and because the bank didn't have the hard metal to redeem them, the notes dropped to 25 cents on the dollar before they departed from circulation. The bank itself departed in 1843.

The sizable hole thus created in Chicago's financial reservoir was filled by more private banks, but still the city (incorporated in 1837) did not have institutions able to

provide enough short-term capital or a reliable exchange medium.

The need was imperative, too, for here, indeed, was a two-fisted, thriving community. Opening of the Illinois & Michigan Canal in 1848, after more years of dickering and bickering than of digging, provided a short cut between the Chicago and Illinois rivers. Long before, the French fur traders and explores had taken the portage between these two waterways as they went to and from the Mississippi Valley; and Joliet himself, in 1673, had reported that a canal connecting the streams would be highly advantageous.

The coming of the Canal, as the Chicago Tribune pointed out years later, "made Chicago." But other tools of the expanding times helped, too. The first railroad line was opened in 1848, and the first telegraph that same year, which also saw the Board of Trade organized to help merchants grade and standardize their products.

Although business in Chicago, as elsewhere in the young States, moved in dazzling cycles, the trend was always upward. Banking facilities, however, as provided by the private banks, didn't quite keep pace.

In 1851 the State of Illinois enacted a general banking law, patterned after the New York statute. Effective in 1852, the new law expedited Chicago's expansion. That year witnessed the organization of 11 banks; two railroads linking the city with the East were finished; business zoomed. So did the population.

"The first bank to organize under the new law," wrote Edward and Alfred F. White in "Half a Century of Banking" (Banking Law Journal, June 1900), "was the Marine

The first shipment of grain from Chicago's first dock





National Live-Stock Bank, 1890

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Bank, with a capital of \$50,000, which was subsequently increased to \$500,000, of which \$150,000 was paid up. J. Young Scammon was its president and Edward T. Tinkham cashier. It went out of business in 1874."

Other banks started in 1852 were: Merchants and Mechanics Bank; Levi D. Boone, president; Stephenson Bronson, cashier.

Commercial Bank, successor to the Southwestern Plank Road Company.

Bank of Commerce; A. W. Davisson, president; T. McCalla, cashier. City Bank, a proprietary institu-

tion owned by Bradley & Curtiss.

Chicago Bank; successor to the
banking business of I. H. Burch &
Co.; Thomas Burch, president; I. H.
Burch, cashier.

Union Bank; Andrew J. Brown, president; Henry L. and Thomas L. Forrest, cashiers.

Bank of America; owned by George H. Smith & Co.

Farmers' Bank, organized by Chase Brothers & Co.

There was also the Bank of the City of Chicago, "Seth Paine & Co., Props." Here was something really new even for Chicago. The senior partner in this enterprise, Seth Paine, was, putting it mildly, an eccentric. "Although a man of rugged honesty and great intellectual force," wrote the Whites, "he was yet as full of peculiar vagaries as an egg is full of meat. He was an ardent abolitionist and an earnest, enthusiastic socialist of the Fourier type. He established his bank with a capital of \$6,000, his

partner, Ira B. Eddy, furnishing the greater part of the money for the venture, and immediately began a vigorous warfare upon his competitors. He started a paper called the Christian Banker, and he kept its columns bristling with vituperative articles regarding the other banks in general and some of them in particular. He established 'Harmony Hall' over his bank, which became the headquarters for spiritualists, and he preached from that pulpit as belligerently as he spoke through the forum of his paper."

A GLANCE at the prospectus of the Bank of the City of Chicago will suggest that its founder was, to say the least, a character. It said:

"We loan no one to pay debts.
"We loan no one to aid in the

murder of anything which has life. "We want no business done which is death to the human body or hell to the soul; and we would as soon furnish a rope to our brother to hang himself with as the money to buy it with... We would as soon drink ourselves as to lend our money to drunkards. We would as soon take high rates of interest as loan the usurer the facilities to do the same thing...."

Banker Paine's competitors acted—and swiftly. In January 1853, they called upon him to redeem all of his bills that came into their hands. This procedure worked, of course, for Paine's assets and credit were limited. The bank died.

As you may have guessed, Paine



"A study in overcoats"—the lobby of a Chicago Hotel in the winter of 1893.

himself was subsequently adjudged insane. But in 1868 he was back in Chicago, this time to establish the quasi-charitable "Woman's Home."

When the Civil War started Chicago had two banks that offered substantial accommodations to business: the Merchants Savings, Loan and Trust Company (organized in 1857) and the newly opened agency of the Bank of Montreal. On the other hand, the list of private banks totaled 86; of these 30 did a more or less general banking business. Three were also stock brokers or security dealers; the latter business

A scene in Lincoln Park (1874): "On the pier, looking out upon Lake Michigan"





No story about old Chicago would be complete without a picture of Mrs. O'Leary's cow kicking over the lanteru that started the fire of

was greatly stimulated by Jay Cooke and his aggressive program of Federal Government financing.

"Chicago already possessed, in embryo, practically all the diverse types of financial institutions that make up a modern money market," says Professor F. Cyril James in his The Growth of Chicago Banks," "but the embryos were often small and unsatisfactory, while there was no coordination whatever among the several financial houses. Moreover. the private bankers, being legally forbidden to issue any form of circulating notes, could do nothing to fill the monetary vacuum resulting from the collapse of the free-banking system."

Establishment of the National Banking System in 1863, says James, was received enthusiastically by the City on the Lake; and most of the state banks and many of the private bankers reorganized under the new law. One of the first charters-No. 8-was granted to The First National Bank of Chicago, whose organizers, headed by Edmund Aiken (of Aiken and Norton, banking house) had laid their plans even while the act was being discussed in Congress. Articles of association were ready by May 1, 1863, and an application for a charter was made immediately. The bank opened July 1, with Aiken as president—a man whom the Tribune praised as one who "so thoroughly understands the business of the city."

Before the end of 1863 Chicago was also planning its Second, Third and Fourth national banks; all were in business early in 1864, and the Fifth National opened soon after.

In 1865 the Union National, Merchants National, City National, Commercial National, and Traders National joined the list; and by the end of the war there were 13 national banking institutions in the city, with capitalizations ranging from \$150,000 to \$500,000.

"Under the influence of wiser legislation and the general stimulus to business which followed the closing of the Civil War," observed the Whites, "the banks organized under state charters became more stable."

Chicago, you know, had a capital F Fire just 80 years ago. The story of the city's typically American triumph over that disaster is familiar enough; but maybe you've

never heard about the great job the 29 banks did in helping restore order from the vast destruction that fanned out from Mrs. O'Leary's barn on Sunday evening, October 8, 1871. It's quite a yarn.

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With two or three exceptions (the Union Stock Yards Bank among them) every bank building was destroyed in the two nights and a day the flames roared through the wooden buildings of the city. But the vaults, packed with cash, securities and important records, largely withstood the assault, a circumstance that made possible the heroic chore of salvage and restoration.

The property and business of the banks' customers had been largely devastated, and, as one writer put it, "the paralysis was so complete that a man would have been deemed insane who would have predicted as speedy a recovery as that which followed."

"Great anxiety," the Whites reported, "preceded the opening of the vaults and safes, for it was not expected that the money and securities could be taken out intact. Fortunately, however, they were found, with one exception, to be in fair condition. No money was destroyed except \$50,000 in the safe of Lazarus Silverman's Bank."

On the third day after the flames subsided bank officers held a meeting, presided over by W. F. Coolbaugh, president of the Union National. A canvass of the situation disclosed that the assets of the banks, except for their furniture and buildings, were largely intact, although the value of the notes, in view of the fact that their customers had lost so heavily, seemed doubtful.

"Consultation, however, begat hope, hope ripened into confidence,



Fifth National Bank after the fire

<sup>• &</sup>quot;The Growth of Chicago Banks," by F. Cyril James. Harper & Brothers, New York. Copyright 1938.

as businessmen were seen even then groping among the embers to lay the foundations of a more prosperous future.

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"After a long and earnest consultation, although no formal action was taken, there was a general determination to resume business, and to aid, so far as the banking business affected conditions, in restoring that which had been lost. Before nightfall 12 banks had found temporary quarters, some with improvised structures among the debris, and with tables for counters and barrel heads for desks, opened new books and made ready to meet the exigencies of the occasion."

On Thursday the banks cautiously decided to pay 15 percent of their deposits; but many of the nationals quickly realized that this was conservative and announced that they would pay in full. Here was a tremendous stimulant to confidence, and soon most of the state banks did likewise. Savings banks also made payments. By October 17—nine days after the fire started—all the national and a majority of the larger state institutions were open for business in makeshift quarters.

"Such promptness of resumption," observed the Law Journal article, "simply astonished the civilized world. Such a thing was unprecedented and unparalleled in history, and gave the people of all nations a lesson in the nobility of human nature which they will never forget."

Several bankers worked heroical-



An after-the-fire view: "Porters and clerks promenading the streets with signs announcing business removals"

ly to rescue their assets from the hot vaults.

"Officers of the Merchants Loan and Trust Company," Professor James reports, "fled through the crowded streets carrying bundles of notes and securities worth hundreds of thousands of dollars. Stephen W. Rawson, the president of the Union Trust Company, took his horse and buggy down to the bank, removed most of the currency and securities from the vault and took them home and hid them in his barn. For two days he stood guard over the treasure, with an old horse pistol in his pocket.

"Most melodramatic of all was the experience of E. I. Tinkham, cashier of the Second National, who removed \$600,000 in currency from the bank vaults and, packing it in a trunk, hired a negro for \$1,000 to carry it to the Milwaukee Railroad station.

In the crowded streets Tinkham lost sight of the negro, and was driven to the edge of the lake by the rapid progress of the flames, but when he reached the station, hours later, the negro was patiently sitting on the trunk and waiting for his thousand dollars."

Lyman J. Gage's memoirs contain a stirring account of his trip to the First National's vaults long before they had cooled. He tells the story of a customer whom he found there—a man whose own business had been destroyed but who insisted on giving Gage a wad of bills for the banker's personal use in the emergency.

Gage, formerly cashier of the Merchants Loan and Trust and first manager of the Chicago Clearing House Association, had a distinguished career. Moving up the ladder at the First, he became its president in 1891, eight years after he had served as president of the American Bankers Association. He was Secretary of the Treasury under Presidents McKinley and Theodore Roosevelt, and in 1902 went to New York as president of the United States Trust Company.

He was also the chairman of the board of directors of the memorable Columbian Exposition which took place at Chicago in 1893.

Chicago, 1830, from the Lake



# Chicago's Clearing House

N the evening of March 3, 1865, 10 Chicago bankers gathered at the Sherman hotel to take the first steps toward creating that indispensable tool of the banking business, a clearing house association.

Around the table sat J. A. Ellis of the Second National Bank; J. H. Bowen, Third National; Josiah Lombard, Fifth National; J. Young Scammon, Mechanics National; S. B. Sturges, Northwestern National; John DeKoven, Merchants National; and P. R. Westfall, Commercial National. These seven men were empowered to vote. And "present, not voting," as the old minutes say, were Ira Holmes, Third National; I. G. Lombard, Fifth National, and James D. Sturges, Northwestern National. Scammon was chairman.

The group, no doubt, took time to conjecture as to what Abraham Lincoln would say in Washington on the morrow when he took the oath for his second term as President of the United States. But the emphasis. presumably, was on the need for an organization that would make possible, in rapidly growing Chicago, daily exchanges of items among the banks and the payment of the balances. It was pointed out, you may be sure, that the then current method of clearing-a daily informal meeting of bank representatives-was no longer adequate; and the bank spokesmen voted to adopt a "Charter and Constitution" for the Chicago Clearing House Association. A committe was appointed to proceed with the organization work.

Another meeting took place just

a week later, attended by representatives of 16 banks; and "on the suggestion of Mr. J. Y. Scammon all the bankers present" signed the constitution. W. F. Coolbaugh, president of the Union National, was made president of the association, with Josiah Lombard as vice-president, and James Sturges secretary.

On March 14 the young clearing house elected Lyman J. Gage of the Merchants National to the managership at a salary of \$3,000, and voted to appoint a committee "to take steps toward securing rooms over the Marine Bank." On April 8 Gage resigned as manager (his bank wanted him back) and G. A. Ives became his successor—but at \$2,000 a year.

The first Clearing House Committee was also appointed. Gage was chairman, and with him served E.



The Chicago Clearing House treasures this old picture (about 1900) of the bank messengers and settling clerk in the "Clearing House Room." BANKING had it rephotographed



Here are the minutes of the meeting held March 3, 1865, at which steps were taken to organize the Chicago Clearing House

E. Braisted of the First National;E. I. Tinkham, Second National;Holmes; and De Koven.

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> Commenting on the early days of the association, Professor F. Cyril James in *The Growth of Chicago* Banks (Harper and Brothers, New York, 1938) says:

> "Although settlements between banks were originally made in 'lawful money,' arrangements were soon made for a more convenient procedure. By the end of May, 1865, the association was issuing clearing house certificates, in denominations of \$1,000, to members who deposited Government bonds or currency of equal amount, and the majority of settlemets were made in certificates by the middle of June."

From these beginnings, carefully recorded in the copper-plate handwriting of Secretary Sturges, sprang the country's second largest clearing house which exchanged \$40,674,000,000 in 1950, an increase of about

\$5-billion over 1949. Its present head is Carl A. Birdsall, president of the Continental Illinois National Bank and Trust Company; its vice-president Lawrence F. Stern, president of the American National Bank & Trust Company; its manager Charles H. Albers.

Mr. Albers is also chief examiner, a title that reflects an unusual, if not unique, function of this association. In 1906 the CCHA started a Department of Examination which has since annually examined the books of the members and affiliates. This is the only large clearing house that maintains such a close relationship with its members. It has never forgotten the unexpected bank failure that prompted the practice.

The current Clearing House Committee comprises: Chairman Solomon A. Smith, president of The Northern Trust Company; Edward E. Brown, chairman of the First National Bank; Mark A. Brown, president of the Harris Trust and Savings Bank; Philip R. Clarke, president of

the City National Bank and Trust Company; and Walter J. Cummings, chairman of the board of the Continental Illinois National Bank and Trust Company.

In the board room of the association's home in the Federal Reserve Bank of Chicago hang portraits of famous bankers who have served the CCHA through its long history. To this gallery will soon be added a three-quarter length oil portrait of the late General Charles G. Dawes. former Vice-president of the United States, who at the time of his death earlier this year was chairman of the board of the City National Bank and Trust Company.

The early minutes of the association, brought from the vault for BANKING'S inspection by Mr. Albers, contain many interesting items of Chicago bank history.

The picture above, made especially for this article, is the record of that first meeting on the eve of Lincoln's Second Inaugural.

# Modern Equipment Cuts

### Bank Costs

WILLIAM H. HURTZMAN

MR. HURTZMAN, comptroller of The First National Bank of Philadelphia, says: "Banks in today's mechanized world of assembly line techniques, coupled with ever increasing expense, must realize that the successful business is the one that takes every advantage to decrease costs and at the same time increase customer service and efficiency. Modern equipment is one of the tools to help accomplish this objective."

The photographs in this and the next articles are interior and exterior views of new or recently modernized bank buildings.

THE tremendous increase in bank expenses or operating costs, plus low net earnings and the need for more capital, or earning power, places every banker in a position where he must carefully scrutinize every phase of operations and provide economies. We must ask ourselves over and over again: Are our systems and procedures adequate and, at the same time, are we obtaining maximum efficiency and economy in all our operations?

Modern banking is based on volume. In order to handle this volume efficiently we must look more and more to machinery and assembly line techniques. While the initial cost of modern, up-to-date machinery may seem high, if you compare the cost to the savings effected, you may ask yourself: "Can I afford not to have modern equipment?"

#### What Equipment Should Do

Let us now list what new and modern equipment should do for our banks:

- 1. Increase our service to our customers
- 2. Reduce expenses
- Reduce errors through the means of mechanical techniques
- Decrease manual operations as much as possible through the means of automatic machine features
- 5. Reduce employee fatigue through the ease of operation
- 6. Appeal to operating personnel
- 7. Increase efficiency
- 8. Provide by-products wherever possible
- 9. Improve customer relations
- 10. Produce neat and accurate records

This photo of a section of the tellers' cages and mezzanine at the First American National Bank of Nashville was taken during an "open house" celebration



Having these points in mind, our next step should be to analyze our operations carefully in order to determine which type of machinery best fits in with our procedure. Many times we will find that our procedure is obsolete or inefficient and must be revised to work in harmony with new modern equipment. Along the same lines, never adopt an inadequate system in order to fit a particular machine or manufacturer's product.

#### **Machines and Personnel**

During the course of our analysis we should make time and motion studies in order to reduce operator fatigue to a minimum. You know operators tire much faster than machinery and there is no greater incentive for errors than tired operators. Worn out machinery also is a menace to efficient operation.

We should be sure the equipment ties in with our training program; in most cases, the more automatic the equipment, the easier to train new personnel. Clearly marked keyboards that reflect the use of the various keys are also a definite advantage in a training program. In other words, pick machinery where the equipment and operator can work together as a coordinated unit. If either one fights the other, time and energy will be lost, resulting in increased expense, errors, and a breakdown of employee morale.

Careful study should be made of the various types of machinery in order to determine which will produce the most by-products. For example, automatic check counts for analysis purposes on bookkeeping machines; automatic feeders and

(CONTINUED ON PAGE 184)

SAVES TIME, EFFORT, EXPENSE in savings passbook and ledger posting

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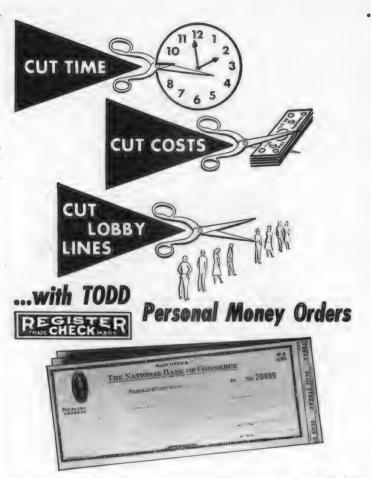
Standard keyboard with easy key and motor bar depression for rapid and accurate listing of amounts

Simplified motor bar selection for easier, more accurate operation . . . uses only a single motor bar for each type of transaction

Automatic balances for increased speed and accuracy

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(CONTINUED FROM PAGE 182)

endorsers of microfilming equipment; multiple duty forms, ledger cards, tax information and statements in trust department equipment.

#### Controls

Audit and accounting controls should be given consideration. Many developments have taken place along these lines which provide automatic controls, especially through the use of locked controls that can only be released by auditors' keys.

The more protective features of this nature that can be placed around everyday transactions, the safer the bank. These features are most important to bank cashiers, comptrollers and auditors.

#### Keeping the Equipment Busy

It may be, especially in the case of the smaller banks, that to warrant its purchase equipment must be used in more than one department. There is nothing more expensive than idle machinery. Equipment producers realize this problem and you will find that in most cases machinery has been developed so that by simply changing a bar, turning a knob, or making other minor hand adjustments, the equipment can be used for various jobs. On the other hand, it would be rather foolish to purchase multiple duty equipment for departments that will use it full time and, by doing so, sacrifice some advantage of specialized equipment.

(CONTINUED ON PAGE 186)

Main floor of the Bank of New York and Fifth Avenue Bank from upper officers' platform, showing newly-created officer space



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September 30-October 3, 195.

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"PRE-EMINENT SINCE 1859"

(CONTINUED FROM PAGE 184)

The question of the ability of the manufacturers to service your equipment must also be considered. Again, you cannot afford to have your production schedule hampered by waiting too long for servicemen in case of a breakdown. Therefore, fast, efficient service must be a major factor to consider.

Along these lines, let us examine just a few instances where modern and up-to-date machinery has proved its worth and reduced operating expense. While the following suggestions will not fit into every bank, they have proved helpful in many cases.

#### **Handling Lobby Traffic**

Let us start in the lobby. Customer traffic surveys should be made to determine if our various windows are properly located to cause the least confusion. It might be that by a simple switch in the location of departmental windows, traffic would move more quickly, resulting in greater speed for the window tellers. Consideration should be given to the newer type of saw tooth windows, which allow a greater number of customers to be waited upon at one time, utilizing the least amount of space.

Many banks are experimenting with the use of movable teller cages that can be placed in the lobbies during rush hours. Lobby receptacles for deposits where the service of a

(CONTINUED ON PAGE 188)

In the bookkeeping department of the Boise head office of The Idaho First National Bank





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(CONTINUED FROM PAGE 186)

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teller is not immediately needed help eliminate long teller lines. Some banks also use their regular night depository chutes for accomplishing this purpose.

Low-rail counters also allow more customers to be waited upon at one time than the older high glass or wire type cages. Any improvement that allows you to give better and faster service to your customers, or saves tellers' or customers' time, improves efficiency and reduces expense.

#### The Teller's Side of the Counter

The operations inside the tellers' cages should also be given careful consideration. It might be possible to increase production, save-customers' time, and, in many cases, effect faster collection of checks by having the customers mail their deposits. This enables the bank to work on this type of deposit before the bank opens to the public. Many checks can be processed and cleared, if received early enough to make the same day's clearings, resulting in a day's time saved for the customer and the bank.

The advantages of tellers' machines have long since been proved. These machines help in speeding up lines, produce neat, accurate registered receipts, do away with cumbersome expensive pass books, provide the teller with tapes of his cash in and out, provide a detail list and total of deposits taken in, and locked auditor controls.

Currency counting machines are also becoming more popular. Production increases up to 50 percent have been reported by the use of these machines.

Pre-packaged currency has its advantages, especially on those days when payroll checks are numerous.

Counter safes for the storage of coin eliminate the need for transporting coin to and from the vaults, and also save vault space.

#### In the Proof Department

The transit or proof department lends itself readily to the use of modern equipment. Automatic proof and re-sorting machines are now installed in most banks, however, many improvements have been made in this type of machinery in the past ten years. Greater speed has been obtained; more sorting pockets holding a greater number of items than

criginally, are now available, together with a larger number of tapes if needed. Automatic endorsing features can supplement or be used in connection with the equipment. This machinery can be purchased or rented.

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Microfilming equipment is also a time and money saver in the transit department. Modern microfilming machines have automatic feeding systems, photograph front and back if desired, have automatic endorser features that can be connected or disconnected at will, and item counters. This equipment can also be nurchased or rented.

The modern adding machine is much faster than that of ten years ago. Modern machine endorsers have greater speed and save many hours of employee time over the older machines or hand methods. Check sorting trays and equipment also speed the flow of work. Metered mail machinery is also quite helpful as a time saver and provides excellent controls on postage expense.

#### **Mechanized Bookkeeping**

As in the transit department, the bookkeeping department lends itself readily to mechanization.

Modern bookkeeping machines make it possible to provide neat, accurate service. Many automatic features that were unheard of a few years ago are now installed on this machinery. Operator fatigue has been greatly reduced. Automatic check feeders are becoming available. Various colored keys and keyboards reduce eve strain and speed up the job. Microfilming equipment is almost indispensible in connection with bookkeeping, providing many services to the customer and the bank, and, at the same time, saving many dollars in storage space.

The general ledger of a bank can readily be mechanized, again saving valuable time and reducing expense. It is surprising how many banks use the old, costly, hand-posting methods in this department. Without modern equipment this department must utilize higher-paid clerks or officers for the reason that experience and knowledge in balancing accounts is necessary. With the use of proper forms, ticket entries and modern equipment, almost any regular clerk could post the general ledger and prepare statements.

Here again the machinery automatically produces the results in a



"I don't care what committee you're on —tonight you take me to dinner at the Edgewater Beach!"

neater and more efficient manner than the older methods. Errors are reduced and final settlements and statements are produced more quickly. The lack of mechanized general ledger departments is probably due to the cost of the equipment hased on the small amount of time it is in operation. However, when you consider the salary savings, plus the fact that most equipment is designed in such a manner that it can be used for many other jobs during its idle time, the savings then become apparent. For example, there is no reason why the general ledger posting machine cannot be used in connection with trust work, individual bookkeeping, loan, proof and many other departments of the bank.

#### **Loan Department Aids**

Modern equipment is rapidly proving its worth in the loan department. Machinery can now be installed that will not only post the ledger card and provide automatic controls, but also produce many by-products, such as daily journals, interest bills and records, tickler files, note due notices, collateral records and posting mediums, etc. By the use of machinery, less experienced clerks can often be utilized.

Combination window machines are now available that will handle loan, mortgage, and savings transactions. Registers provide totals of savings, deposits and withdrawals, installment loan and mortgage credit and debit totals, and interest calculations. Audit control features are also

a part of the equipment, reducing time consumed in audit operations.

#### Stenographic Facilities

The bank's stenographic department, of course, has been mechanized for years; however, once again modern equipment is far faster and neater. Surveys should be made as to the advisability of renewing type-writers and also of installing electric typewriters where needed. Stencil cutting and wide carriage machines for special work prove their worth.

Dictating machines, both in the bank and for outside use of traveling men, have saved some banks many times their cost.

Pinpoint typewriters also have many uses, especially in writing checks, letters of credit and other important documents that circulate more or less freely through the public's hands. The additional protection of pinpoint helps assure you against loss due to fraud.

Typewriter ribbons and carbon paper should be purchased only after giving due consideration to their lasting qualities.

Many hours of time can be saved by reducing operator fatigue through the use of proper desks, chairs, files, lighting, etc. This enables the typist to produce more units per hour.

Many banks have found that expense can be reduced and customer service bettered by the use of various types of printing and duplicating machinery.

#### "Can We Afford Not To?"

Most bank equipment has been greatly improved during the past 10 years. As one bank service company recently advertised, "If you were asked to describe an ideal bank service you would probably say something like this. 'It should reduce expense, save time, increase efficiency, help prevent errors, be popular with bank personnel and above all it should please customers.'"

In view of this, it seems we should not wonder if we can afford to purchase or rent modern equipment, but whether we can afford not to. Banks in today's mechanized world of assembly line techniques, coupled with ever increasing expense, must realize that the successful business is the one that takes every advantage to decrease costs and at the same time increase customer service and efficiency. Modern equipment is one of the tools to help accomplish this.

## What's New?

### Systems and Machines

This is a gilt-edged invitation to all convention delegates to visit Banking's Educational Displays, which have long been a feature of A.B.A. annual conventions. The exhibits will be housed this year in the sub-level of the Stevens Hotel in the same hall where you will pick up your advance registration, or check for such things as information, ticket exchanges, and transportation data.

Here will be assembled in a spacious hall everything that is new in bank equipment, services and supplies. You will not be importuned to buy, but you are cordially invited to browse among the exhibits, make contact with many companies and have them demonstrate their newest products without any obligation.

The educational displays offer an interesting "life-sized" buyers guide to all that's new and practical, with definite emphasis on time and money saving ideas, as well as good public relations.

For the fun of it, let's take a quick peep at what's in store, booth by booth. The information which follows is based on the sales literature of the various exhibitors.

AMERICAN PERFORATOR COMPANY (booth 29) will introduce its completely redesigned Portable Electric Check Perforator (model 400) which features added strength and quieter operation. This machine has a sealed main gear housing with maintenance-free permanent lubrication. The American line on display will also feature latest model check cancelers and endorsing machines, demonstrating new designs, improvements and operating methods.

BANK BUILDING AND EQUIPMENT CORPORATION OF AMERICA (Booth 23) will illustrate latest innovations in bank architecture with a pictorial exhibit of large prints showing interior and exterior views, and full-color Stereo Realist three-dimensional slides. Banks represented in the picture gallery have shown remarkable gains in general operating efficiency, smoother work flow and faster handling of transactions, plus increased business gains due to modernization.

BANKERS DEVELOPMENT CORPORA-TION (Booth 12) will demonstrate the ThriftiMatic Imprinter. This is a power operated, automatic feed unit which imprints one, two, or three lines on either ThriftiCheck accounts or regular checking account checks, in end panel, upper left, or over signature lines. The unit is an "on the premises" imprinter which can be operated expertly by bank workers with very little special training.

BANTHRICO INDUSTRIES INC.—BAR-TWENTY ASSOCIATES (Booth 45) will show a complete line of coin-banks, including the popular "auto bank," in the form of scale model automobiles; also and state map banks, diecast in the silhouette outline of all of the 48 states. Bronze signs and tablets, "Lustercraft" nameplates and desk signs available in stock or on special order will be displayed. Bar-Twenty Associates, whose Hopalong Cassidy Savings Club promotion is currently used in 250 thrift institutions, will show its packaged program.

BAUDER BAKER (Booth 51) introduces a new window and lobby display service featuring concealed (CONTINUED ON PAGE 193)

The First National Bank of Whiteville, North Carolina, has a new drive-in branch



The recently remodeled Vailsburg office of the Lincoln National Bank, Newark, New Jersey





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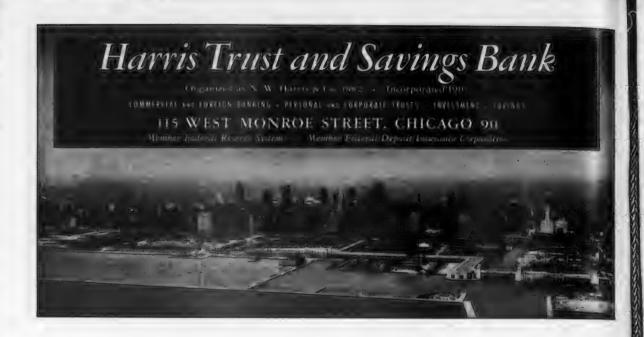
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May we extend a cordial welcome
to our many banker friends
in attendance at the A. B. A. convention.

We invite you to give us the pleasure of a call;
and to let us be of service to you
in any way that we can
during your Chicago visit.

#### DIRECTORS +

EDWIN C. AUSTIN Sidley, Austin, Burgess & Smith

JAMES M. BARKER Chairman of Board, Allstate Insurance Company

MARK A. BROWN President

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STUART J. TEMPLETON
Wilson & McIlvaine

(CONTINUED FROM PAGE 190) back lighting and translucent photography. Rich, human interest illustrations have a third-dimensional lifelikeness derived from a special photographic paper, Translyte. The displays are available in complete poster form, or with cabinet of white-grained driftwood finish, or special finishes to match existing woodwork. The cabinets have lucite panes for "windows" and a concealed flourescent light fixtures for illumination which consume only 90 watts. The bank name is engraved on a back lighted opaque plastic strip at the base of the cabinet. Illustrated subjects promote all standard financial services and may be chosen to fit the requirements of subscribers.

BRANDT AUTOMATIC CASHIER COM-PANY (Booth 41) will have a battery of various model coin sorters, counters, and packagers in action to demonstrate the speed and economies of automatic handling. The auxiliary equipment and supplies will include Brandt coin wrappers and bill straps. Delegates are invited to discuss special coin handling problems.

\* \* \*

BURROUGHS ADDING MACHINE COM-PANY (Booths 32-33-34-35) will have continuous demonstrations of the new Sensimatic accounting machine on both window and back-office savings posting jobs, the Burroughs commercial teller's and new bank bookkeeping machines, and Bell & Howell microfilm equipment as well as their full line of adding machines and calculators.

Other units of the Burroughs line will be displayed for inspection and testing.

CHECKMASTER SYSTEMS, (Booth 44) will highlight demonstrations of the Handiprinter, an on-the-premises unit which enables a bank to imprint depositor's name on pocket checkbooks. Checks to be imprinted are in book form, collated, stapled and bound. This unit imprints the complete book rather than loose checks. A book of 20 checks can be imprinted in 30 seconds. A timesaving feature of this unit is that the type need only be set once; it can then be retained in a type tube and used for the life of the account. CheckMaster will also display the All-personalized CheckMaster free checkbook pay-as-you go

"sell-the-book" plan.

R. L. POLK COMPANY (Booth 22). The new September 1951 edition of Polk's Bankers Encyclopedia will be displayed for delegates wishing to examine latest listings. This 114th edition of its bank directory reports

the condition of United States banks as of June 30, 1951, and the latest information available on other banks throughout the world.

The main theme of the Polk exhibit will emphasize the numerous time-saving features and the completeness of information reported in the directory. Separate panels will also elaborate on the advantages that accrue to banks through display advertising.

Polk will again distribute carnations to all A.B.A. convention visitors from Booth 21. Each day a different color flower will be given. \* \* \*

CUMMINS - CHICAGO CORPORATION (Booth 46) will offer for inspection a group of models including the 300 Standard Canceler. This is a lightweight, heavy-duty machine with Speed-set Selector Rings, automatic operation, and designed to increase economies and efficiency in bank operations.

The Cummins 350 is a unit for coupon payment systems, providing simplified handling of any mortgage loan account. It eliminates one complete operation in the monthly servicing of accounts, and can be installed without disturbing the maintenance of current accounts.

"Last year it was from the Empire State; now it's the Wrigley Building!"



plan and Chexel, companion to the It assures level payments and reduces delinquencies.

> The 270 High Speed Electric Endorser with automatic feed has a capacity for 25,000 checks per hour. It can also be used to date and mark "No Protest" on the face of the checks if desired. Accurate counting, positive stacking in sequence, plus tremendous capacity is a popular feature of this machine.

Cummins hand operated machines will also be shown.

DAVIDSON CORPORATION (Booth 52), a subsidiary of the Mergenthaler Linotype Company, will show its complete line of duplicating, printing and folding machines.

\* \* \*

DELUXE CHECK PRINTERS, INC. (Booth 1) has a sales plan slanted to help bankers achieve this aim: In the light of reduced operating profits, a bank's check expense has become more important than ever. The goal of reduction in net cost of check service is obviously achieved by selling more checks. When customers buy their own checks, the bank actually pays more but the cost is recovered by passing the charge to the customer. Deluxe has a wide selection of personalized business and pocket checks, with merchandizing and advertising programs tailored to individual needs.

DIEBOLD, INC. (Booths 47-48) In addition to a complete line of Diebold equipment, the display will place special emphasis on the Driveup Counter-an answer to banking's parking and traffic problems. This unit has special devices which give complete control to the teller, and very simple operating recepticals for transacting business with the motorized public. Diebold has a new hopper-type depository or package receiver. The entire installation has many safety features.

\* \* \*

Douglas - Guardian Warehouse CORPORATION (Booth 8) will explain the operating economies possible through warehouse receipts pledged as collateral security in industrial financing. D-G has service features of special interest for banks entering or expanding in this field.

D-G protects receipt holders through a fidelity bond coverage (CONTINUED ON PAGE 195)



Just pick up your telephone...

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Yes, an *immediate* answer to your needs is as close as your telephone... prompt, personal attention to all your requirements...through the complete facilities of The Northern Trust Company.

- \* 24 hour collection service
- \* Assistance in loans
- ★ Safekeeping service
- ★ Facilities for the purchase and sale of U.S. Gov't, State, Municipal Bonds
- ★ Credit, Business and Market information
- \* Investment Research facilities
- ★ Assistance in handling foreign transactions



★ Plus a wealth of operational facilities to serve you, your bank, and at your request—your customers. For complete information—call, write or phone

THE BANK OF PERSONAL SERVICE

### THE NORTHERN TRUST COMPANY

50 SOUTH LA SALLE STREET, CHICAGO 90 · FRANKLIN 2-7070

Member Federal Deposit Insurance Corporation

(CONTINUED FROM PAGE 193)

covering each custodian or agent in charge of a warehouse. The company also carries legal liability insurance on the receipt holder against all losses for which the warehouseman may be responsible. D-G's operations conform with the uniform Warehouse Receipts Act.

THOMAS A. EDISON, INC. (Booths 2-3) presents a new concept in handling dictation with the revolutionary Televoice system. One to 20 or more Televoice stations are connected to the Edison TeleVoicewriter at the secretary's desk. These stations resemble a normal telephone in appearance, small, simple and dependable. Using advance remote-control design, all desirable features of a dictating instrument are incorporated on the Televoice station. Manipulation of dises, cylinders, belt and index slips are eliminated. This system is said to reduce by one-third the costs of previous systems.

FIDELITY & DEPOSIT COMPANY OF MARYLAND (Booth 28) has a standing invitation to all delegates to pick up their pocket-sized convention notebooks; and if you should want another one or more during the convention, drop by this booth and say how many. Note-taking makes a convention "click," so don't spare the pencils or the pads. F&D men say their supply is practically unlimited.

(CONTINUED ON PAGE 197)

"Young man, are you insisting your adding contraption knows more about my business than I do?"



# The Pause

#### THAT MAKES DEPOSITORS HAPPY



# H-H-M AUTO BANKING SERVICE SAVES TIME AND SPACE

One bank reports as many as 800 depositors a day using H-H-M Auto Banking Service. Depositors like it . . . just a pause while driving . . . deposit is made or checks cashed . . . and, they are on their way! Banks like it because it relieves lobby congestion and increases the number of customers they can serve.

H-H-M Auto Banking Windows are standard in two widths in both Bay and Flush Types. Windows are selected to fit each bank's location and blend with its architectural design. They are made of bullet-resisting steel and glass. They feature 2-way communication, package depository for bulk deposits and payrolls, and a gun port

Ask for our Auto Banking folder and data on successful down-town and suburban installations Write today.



VC

# Banks and Bankers ...

look to Rand McNally for accurate and dependable services

#### DANKERS DIRECTORY

... the Rand McNally "Blue Book" consulted constantly... published continuously since 1872.

#### KEY TO THE NUMERICAL SYSTEM

of The American Bankers Association with Check Routing Symbols...published since 1911.

#### CHRISTMAS SAVINGS CLUB

... complete materials to enable you to give quick, accurate services.

#### DANKERS MONTHLY

... Since 1883... from Wall Street to Main Street, the magazine of Banks and Bankers.



Serving Banks and Bankers the World over for 79 years

RAND MENALLY & COMPANY

Bank Publishing Division

536 S CLARK STREET, CHICAGO S, ILL. . 111 EIGHTH AVENUE, NEW YORK II. N. Y

(CONTINUED FROM PAGE 195)

FRIDEN CALCULATING MACHINE COMPANY INC. (Booths 38-39) will denionstrate how the fully-automatic calculator reduces cost on such work as computing interest on savings accounts, analyzing checking accounts, instalment loan accounting, and other figuring jobs.

The value of highly automatic equipment has special significance in a period of rapid personnel turnover, when new and unskilled clerical help must be quickly trained for specialized and important duties, or when trained personnel must be shifted from job to job as an expedient.

GRAY MANUFACTURING COMPANY (Booths 30-31) will present its 1951 line of Audograph electronic dictation and transcribing equipment. The Audograph is the basic unit of the Gray soundwriting system for business and banking use. It is an all-electronic dictating machine utilizing thin, lightweight, long-lasting plastic discs capable of recording up to one hour's dictation. Single lever control affords instant change from neutral to recording, or listening. It has special features to simplify mechanized dictation.

HERRING-HALL-MARVIN SAFE COM-PANY (Booths 42-43) will offer complete information on its full line of vault and safe deposit equipment, and feature a number of new items: The combination counter units include fixture and under - counter work assembled together for economy of installation under one contract. These 2-in-1 units are placed in position on finished floor like desks, and anchored together.

The H-H-M bay and flush type auto banking windows are adaptable for motor and walk-up traffic.

The H-H-M rotary night depository is especially designed so customer knows that his deposit has been received when the head of unit is closed.

H-H-M insulated safe record files, rotary record files and the newer 24-Hour Deposit Service installation will be on the floor for inspection and demonstration.

INTERNATIONAL BUSINESS MA-CHINES CORPORATION (Booths 13-14-15) will feature the new posting ma-

#### AMERICAN RADIATOR & STANDARD SANITARY

CORPORATION

speeds up mailings

WITH THE

### INSERTING & MAILING MACHINE

The machine that automatically detects errors . . zooms through as many as six enclosures with "supersonic" speed . . . seals, stacks and counts your mailings at the rate of 3500 to 4500 per hour.

The INSERTING & MAILING MACHINE and one person does the job of five.

Thousands of the nations important firms entrust their mailings to the INSERTING & MAILING MACHINE.

Send for two brochures we have prepared, which will tell you who used the INSERTING & MAILING MACHINE, and bow you can cut your own mailing costs.

This is one of the Inserting & Mailing Machines used by the American Radiator & Standard Sanitary Corporation.

INSERTING & MAILING MACHINE CO. PHILLIPSBURG, NEW JERSEY

GATHERS ENCLOSURES INSERTS INTO ENTELOPE SEALS ENVELOPE PRINTS POSTAGE INDICIA COUNTS & STACES



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And How's This for Account Growth?
Accounts Opened with Just \$5.50
Are Now Averaging \$18.00 and More...
And They're Still Growing!

That's the story of the

# HOPALONG CASSIDY SAVINGS CLUB



Three account builders meet. L. to R.—J. B. Stranss, Bar Twenty Associates, William "Hopalong Cassidy" Boyd and Jerome B. Aronson, Bar Twenty and Banthrico President.

Over 250 financial institutions and their branches have been enjoying a steady increase of both new accounts and increased volume since beginning the Hopalong Cassidy Savings Club plan.

These growth-minded institutions across the country have discovered that Hopalong Cassidy's name is truly a magnet that draws youngsters and their parents right along with them to open new accounts.

What is more, the incentive drive of Hoppy's Saving Rodeo keeps the club members' interest going and growing.

While you're in Chicago for the ABA Convention, Sept. 30-Oct. 3, visit us at the BANTHRICO Booth No. 45. We'd like to show you the complete HOPALONG CASSIDY SAVINGS CLUB promotional package. You'll agree it's the plan for you.

At the same time we'll be happy to acquaint you with the newest members of the BANTHRICO LINE—for over 35 years the world's finest and most complete line of savings banks.

BAR-TWENTY ASSOCIATES

BANTHRICO INDUSTRIES, INC.

chine which consolidates four principal functions of check sorting, listing, proving and endorsing in one operation.

The new proof machine with as many as 32 separate distributions embodies many new features including flexibility in adapting debit or credit counters and new operator conveniences.

The IBM section will also demonstrate the Electric Clock, Time Recording and Time Signaling Systems, and the latest models of the electric typewriter line.

Investors Diversified Services, Inc. (Booth 40) will have a purely educational exhibit. This will accent the growth of the organization with particular reference to its three mutual fund affiliates and the face amount certificate company. The funds include Investors Mutual, Investors Stock Fund and Investors Selective Fund; the certificate company is Investors Syndicate of America, Inc. Here you may obtain brochures containing descriptions of all phases of IDS, appropriate prospectuses and supplementary literature. These will explain the use of the mutual funds as collateral as practiced by leading banks of the country.

LUMBERMENS MUTUAL CASUALTY Co. (Booth 6). "Kemper Insurance" is the convenient designation for the group of fire and casualty insurance companies under James S. Kemper management. This group is well known to bankers for its annual distribution of the "Bankers Edition—Kemper Insurance."

This display will show you how to check whether commercial borrowers are properly protected against fire and casualty losses.

GEORGE LAMONTE & SON (Booth 7) will tell the story of the company's recent 80th anniversary with a comprehensive display of bank checks on LaMonte Safety Papers.

LE FEBURE CORPORATION (Booths 36-37) will illustrate the use of its new "post-to-check" plan. In this economical, labor-saving plan the operator posts to checks and deposit slips instead of to ledgers. This method eliminates the ledger sheet and the separate operations of check filing and canceling. Under this plan, it is not necessary to cancel checks or deposit tickets. The bookkeeping machine makes the entry on the check and with a logotype in the machine, the word "paid" is entered in the same manner as the date is repeated.

LeFebure's line of vertical sorters, check guide pocket, tray binders, Hi-Lo reference and posting stands, tellers units and custom built equipment will provide many suggestions for operating economies.

MONROE CALCULATING MACHINE COMPANY (Booths 10-11) will display a complete array of Monroe units for specialized bank work, including: the Commercial Posting Machine, Window Posting Machine, Balancing Schedule Machine and Savings Proof Machine. All models of the adding machines and full automatic and semiautomatic calculators will be demonstrated.

MOSLER SAFE COMPANY (Booths 4-5) will demonstrate newest models of its line of bandit-proof drive-in (CONTINUED ON PAGE 200)

# ANNOUNCING THE "Snorkel"



- \*Makes drive-in service possible in built-up areas
- \* Provides new convenience for customers
- \*Actually solves parking problems
- \*Relieves congestion inside

### The exclusive patented MOSLER-Duplex CURB TELLER

You'll find "Snorkel" Curb Tellers are already proving their value to progressive banks all over the country. They enable customers to enjoy quick, convenient drivein banking where no space is available for a conventional drive-in window unit.

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Executives of "Snorkel"-equipped banks report serving up to 371 cars in a single

day... with average transaction times running as low as 30 seconds. Customers have been spontaneously enthusiastic about the new "Snorkel" convenience. Many save as much as thirty minutes on a transaction. City Traffic Commissioners and Police Chiefs are enthusiastic, too—about the way the "Snorkel" has helped eliminate parking and traffic problems.

(One leading city official reports that 150 parking places were saved by devoting 3 to the "Snorkel".)

Why not find out how this exclusive patented Mosler product can bring your bank new customers? Just mail the coupon below for complete information.

HERE'S HOW THIS EXCLUSIVE PATENTED MOSLER UNIT WORKS

1. CUSTOMER PULLS UP TO "Snorkel" curb unit and pushes button to attract the teller (located below sidewalk).

2. TELLER AND CUSTOMER see and hear each other by means of mirrors and speaker system

2. ELEVATOR DEPOSIT UNIT is sent up and down by the teller, completing the transaction in half a minute!





## Mosler Safe

HAMILTON, OHIO

World's largest builders of safes and vaults . . . Mosler built the U. S. Gold Storage Vaults at Ft. Knox and the famous bank vaults that withstood the Atomic Bomb at Hiroshima

You are tardially invited to see the "Snarkel" at the Mayler Exhibit in the A.S.A. Convention in Chirago Sept. 30 — Oct. 3.

Booths No. 4 & 5.

The MOSLER SAFE Company, Dept. B-9 Hamilton, Ohio

Please send me, without obligation, further information on the Mosler Duplex "Snorkel" Curb Teller.

NAME\_

ADDRESS\_

CITY\_\_\_\_

ZONE\_\_\_STATE\_\_

September 1951

(CONTINUED FROM PAGE 198)

teller's windows and the curb teller "snorkles." Visiting delegates will be invited to see the new Mosler Chicago offices and showrooms, designed by Raymond Lowey, at Wacker Drive and LaSalle Street while excursioning about town.

NATIONAL AUTOMOBILE DEALERS USED CAR GUIDE COMPANY (Booth 50). The National Automobile Dealers Used Car Guide Company will

\* \* \*

present its new, modern display showing how the NADA official Used Car Guide is compiled from new car dealers' actual sales reports.

NATIONAL CASH REGISTER COM-PANY (Booths 24-25-26-27) sets up a practical demonstration of the Class 41 teller's machine which provides mechanized control over all teller transactions. This machine dispenses with the conventional hand-and-pass-book method of handling deposits. In one operation it validates both deposit ticket and the depositor's receipt with machineprinted figures. At the same time it records the amount on an audit tape and adds it into the machine's deposit total, both of which are locked inside the machine.

Actually the machine is a twoin-one unit, for it also provides a built-in adding mechanism that can be used at any time for add-listing requirements without affecting the teller records. A full complement of other National Cash machines for special bank operations will be on view and demonstrated for visi-

CHRYSLER CORPORATION Airtemp Division (Booths 20-21) will show you how to refute Mark Twain's famous crack by creating your own weather with a packaged air conditioner, dehumidifier, radial compressor unit and conversion oil burner, as well as year-round units. The packaged air conditioner has sealed refrigeration with air circulating blowers and is ready for use after connecting water line, drain line and electrical supply. It can be employed as a unit or in mul-

tiples and easily relocated in the eventuality of business expansion. or remodeling. Airtemp's year-round air conditioner has all-season controls. Air-Temp, an electric dehumidifier, is especially suitable for correcting moisture and dampness. \* \* \*

RAND MCNALLY & COMPANY (Booth 16) will exhibit the final 1951 edition of its Bankers Directory (the Blue Book), and invites delegates to refer to it during the convention.

The 1951 issue of the Key to Numerical System of the A.B.A., with check routing symbols and the Rand McNally Christmas Club supplies and promotional material will also be available for inspection.

The club systems cover Christmas. Vacation and Tax savings programs.

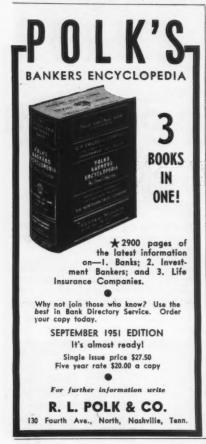
RECORDAK CORPORATION (Booths 17-18-19) will display and demonstrate a full line of microfilming equipment for all bank requirements, large and small. The Recordak Duplex Microfilmer for large volume check operations will highlight the exhibit. This machine, with accessory film units, offers large banks great film economy and maximum speed of operation when used with the Recordak Automatic Feeder and Recordak Endorser. You will see the Recordak Junior Microfilmer, a combination photographing and film reading unit for community banks, the commercial microfilmer for medium sized banks, and a wide selection of readers.

THE STANLEY WORKS (Booth 49) will have a full-scale operating model of the Magic Door unit showing both the Magic Eye (Photoelectric) and the Magic Carpet controls.

These afford completely automatic operation and are considered by many users an excellent substitute for the welcome which an offic r or doorman might extend at the bank entrance.

THE TODD COMPANY, INC. (Booth 9) will exhibit a group of pen and ink drawings by John Weinrich, famous architectural renderer, portraying scenes and buildings he has made for banks throughout the country.

Todd will also demonstrate the Imprinter and the new Register Check-Personal Money Order.



Attending the Convention?

If you are planning to attend the A.B.A. Convention on September 30, you are cordially invited to stop at BOOTH 40-in the Exhibit Room at the Hotel Stevens. We think you will find it worth-while-and

we'll be happy to see you.

Investors DIVERSIFIED SERVICES

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